NATIONAL BUSINESS REVIEW

60 cents

Volume 9 No. 21 (Issue 338) June 13, 1979

Decision-making delays cost $2 billion as oil price trebles

FRUSTRATED oil chiefs are critical of Government delays over the development of Maui gas while oil prices soar.

Oil prices on the spot market have already topped $50 a barrel — three times what New Zealand is paying — only days after the Prime Minister Rob Muldoon released a London consultant's report forecasting a tripling of the oil import bill over the next three years.

Oil chiefs expect spot prices to become the Opec base price in the near future after unease in the Middle East at the high profits being made by the oil companies and speculators in the wake of the Iranian crisis.

Opec ministers meet later this month and a price hike seems certain now that Saudi Arabia no longer appears prepared to use its huge reserves to moderate prices in the West's interest.

Shell's New Zealand managing director David Tudhope says Opec prices are not stabilising. Iranian high sulphur reached $36 a barrel last week, he said.

That price was superceeded by a $50 a barrel sale reported in the United States hours later.

Rarely are the oilmen so forthright. But NBR was granted a rare interview with the private partners in Maui – Tudhope, managing-director of Shell Oil New Zealand, David Kendall, managing director of BP New Zealand, and Sir Bryan Todd, chairman of Todd Oil.

The question to each..."What future can the country expect with liquid fuels?"

Shell: Tudhope

TUDHOPE: "Opec prices are not stabilising. In the very near future the spot oil price will gradually turn into the base price." Tudhope produced a telex price schedule for last week, "Look at the price for Iranian High Sulphur...$36 a barrel...our imports are knocking on $900 million, and what is the Government doing about it? The Government is just not taking executive decisions."

NBR: What do you mean?

"We must run Otara, Huntly, New Plymouth and Stratford as base load gas fired power stations, in order to get a maximum amount of condensate from Maui to back off overseas oil imports".

NBR: Surely this would mean spilling water over "the dams?

Tudhope: "That's irrelevant, the Good Lord will put the snow back into the rivers, we must use the condensate to help release us from the grip of Opec".

NBR: How much worth of oil would this back off?

Tudhope "Thirty to forty million", look we're confronted with an Opec stranglehold on our destiny, and as the International Energy Agency says we should do everything to soften the financial blows. We have to grasp the opportunity to obtain the condensate. At the moment we're up the creek without a paddle".

NBR: OK, why not just flare-off the gas?

Tudhope: "We'd try not to flare, the power stations can use the gas".

NBR: You mentioned the Otara power station, wouldn't this mean a conversion from gas-oil?

Tudhope: "Yes, the Kapuni plant is getting an extra compressor to increase the capacity of the Auckland gasline, the Otara burners can be modified to burn gas". The way things are going the Government will be forced to ration gasoline.

NBR: In the longer term Shell offers the $2 billion Liquefied Natural Gas export scheme. Does this require the discovery of another gas field?

Tudhope: "No our scheme would only use the gas which would have otherwise have gone to the proposed Auckland Thermal number one and two schemes, which is about 40 per cent of the Maui field. The return for the country would be about $500 million a year which includes LPG and condensate production".

Bryan Todd

"The problems facing Maui follow a long period of wrong advice and lack of decision-making by successive Governments," said Sir Bryan Todd, chairman of Todd Petroleum. They include:

- "The tragedy of the New Zealand Refinery expansion...it's meant the loss of $1 billion 300 million in overseas exchange.
- "The 9 year delay in bringing Kapuni on stream.
- "The critical 3 year delay in dealing with Maui...had Government decision-making been prompt, the Maui project would have got underway before the impact of heavy inflation.

"These changed the basics of a good return for the investors and a valuable deal for the country.

"The cumulative result of these delays could be assessed at around $2 billion."

NBR: What is your opinion on the future options being proposed for Maui?

Todd: "Compressed Natural Gas — a big opportunity subject to limitations on the use in vehicles and logistics.

Liquefied petroleum gas — its success depends on whether enough can be produced in the light of serious reduction in gas production.

Methanol — cannot be regarded as a quick solution.

Synthetic gasoline — theoretically attractive, but requires more R & D.

Ammonia-urea-methanol for local use and export — I don't know enough about this proposal to comment.

Liquefied natural gas for export — this is by far the best option, but we've got to find more gas to make it work. I don't see any prospective buyer committing capital (to terminal and transport facilities) for the remaining reserves (as large as they are) after the Crown has taken its share".

NBR: Where do you see the liquid fuels future then?

Todd: "I can't believe that nature only offered the Kapuni and Maui fields. We must go and find more gas and export it as LNG. We would be effectively swapping the gas for oil. It makes more sense than getting hooked into schemes such as synthetic gasoline".

NBR: You don't go along with the view that the more dry holes you drill, the less prospective the chances?

Todd: "Well, if we get to drill the holes you might be right. The most critical aspect to active exploration is that the Government has to realise that it costs a lot more to explore than it used to. This HAS to be recognised in pricing and running at a loss, and it's difficult to forcast the break-even point."

BP: Kendall

"RECENT and likely further increases in the cost of imported oil have, if nothing else, had the marvellous effect of concentrating a few minds on the urgency of making some early investment decisions," said BP Managing Director, David Kendall.

"The problems are clear — an intractable balance of payments deficit caused to a great extent by the cost of oil, and the unusually high proportion of energy used in the transport sector.

"The solution gives room for alternative approaches although it is common ground that the key is optimum utilisation of Maui gas.. Some confusion however appears to have crept into the debate as observers comment on the difficulty of deciding among so many conflicting options. Compressed natural gas (CNG), liquefied petroleum gas (LPG) and methanol (for use as a petrol extender) are not in conflict one with another — nore in conflict with the eventual production of synthetic gasoline from Maui gas via methanol.

"None is mutually exclusive, and each could be introduced at its earliest possible date without wrecking the viability of the others. If, on the longer term, synthetic liquid fuel becomes available in the full quantity the country wants, the others can be cut back or, in the case of methanol, diverted to export.

"The way seems clear. Get cracking on CNG, LPG and methanol as a motor spirit extender and continues the studies on synthetic gasolene; develop export industries for methanol and fertiliser. All of that can be done within a 40 to 50 year life of the Maui field and still leave enough gas for the development of any new industries that result from the Government's encouragement for overseas investment. At the same time we must stimulate the search for more gas in the hope that a liquefied natural gas plant can be justified," Kendall said.

Inside:

Registered at Post Office Headquarters as a newspaper

Incorporating Admark

A free prescription for Parliament's ills

by Colin James

HERE is the way the parliamentary standing orders committee will not, unfortunately, introduce its report to the House later this year.

THIS house is in low repute. The public considers its debates to be no better than petty mud-slinging between two groups of myopics.

Parliament has become, in the public's eyes, the servant of the Government: indeed, most members of the public can draw only the haziest, if any, distinction between the Executive and Parliament.

The public also has a hazy belief that things were once better, *that there was a golden age when Parliament* dominated the Executive and was the central forum for rational, representative debate on the issues of the day.

Whether this was truly so, is doubtful. Nevertheless, there was a period in the nineteenth century when parliament, both in Britain and here, was stronger in relation to the Executive.

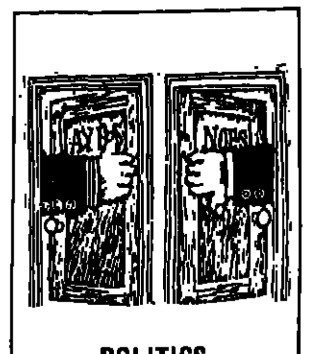
In both countries, the rise of mass parties diminished the role of Parliament. We have passed from a period when governments survived on the successful placation of shifting alliances within the House to one in which the power broking is done among the powerful interest groups outside the House.

We believe the time is long past when Parliament's effective constitutional role must be strengthened.

We recognise that there are limitations on the extent to which changes to standing orders can achieve this.

The party system limits the scope for truly diversified — and therefore representative — debate within the chamber and limits the opportunity for effective parliamentary scrutiny of the Government's administration and legislation.

Measures such as proportional representation and enlargement of the House, which might encourage such debate and such scrutiny, are beyond our competence.



POLITICS

Nevertheless, standing orders are not simply arcane rules to regulate the mud-slinging. Their alteration can have an important constitutional effect.

An example was the expansion of the powers of the statutes revision committee in 1962 to permit the review of regulations in defence of the rights of the citizen — powers which have recently been invoked.

It is with that example in mind that we make our *recommendations.*

We shall be proposing, for example, a streamlining of the procedure for debating Government legislation to reduce the worst effects of two-party trench warfare in that area.

We shall propose the elimination of the first reading and third reading debate stages and the limitation of discussion on a bill to three stages: in select committee, discussion in principle (now the second reading) by the whole House and clause-by-clause discussion by the whole House, with provision for a short debate *on the whole bill* as amended at the end of the clause-by-clause stage.

Since first reading debates take place immediately after the introduction of a bill before Opposition members have had adequate opportunity to study the bill, they are of limited value. Third reading debates add little to second reading debates.

Many of our proposals centre on strengthening and developing the role of select committees.

For this reason we believe that the Government domination which is inescapable in the Chamber should not extent to select committees. Accordingly we shall be proposing that ministers shall not be permitted to sit on select committees and that the Government should not have a majority on them.

Consistent with this view, we decided early in our deliberations to add to our number the member for Rangitikei (Bruce Beetham) even though the Government majority was thereby eliminated. We felt that Parliament, not the Government, should determine Parliament's standing orders.

It has often been argued — we believe correctly — that it is in the select committees that the meat of parliamentary work is done, because members are able there more easily to set aside their party hats.

To encourage this further, and to diminish the possible influence of the developing caucus committees system, we shall propose that select committees shall not be chaired by members of the governing party.

Government members on our committee objected that this would obstruct Government business to no good effect, since committees might then make partisan anti-Government changes to bills which the whole House would subsequently reverse.

But the majority on this committee believes that after a period of adjustment this need not happen, as Opposition members would be encouraged to take a constructive approach.

To further strengthen the select committees, we shall recommend that the House consider the appointment of substantial research and investigative staffs to the committees. This would better enable the committees to initiate effective inquiries and, possibly, desirable legislative changes.

In general, the changes we shall be suggesting aim to strengthen the following functions of Parliament:

The representation of the individual in the face of the State: The volume of legislation weights the scales of liberty against the individual.

We shall therefore propose a new select committee to examine existing legislation and identify items which could be eliminated or simplified — even at the risk of offending interest groups the legislation has served.

This committee might also call on outside expert help to examine the frequent complaints that our legislation is badly drafted. We believe that our parliamentary draftsmen do an excellent job, given the volume of legislation and regulations and the speed at which they must work. Nevertheless, a fresh eye may be useful.

We shall be proposing also that select committees should have power to investigate publicly all aspects of Government activity except those affecting national security. These powers should include the right to call ministers and their officials before the committees to explain their actions.

We believe there is no good reason why the public should not know what options were *before the Government* and the Government's reasons for choosing the course of action it took.

The promotion of public debate on and scrutiny of legislation: At present the House is able to give only cursory consideration to most legislation and none at all to regulations.

We shall therefore be proposing a mandatory delay period for all legislation and its automatic referral to a select committee. A new select committee should examine all regulations and report to the House on unnecessary infringements of liberty.

Properly staffed, select committees should be able to handle the extra work. The new powers we propose for the select committees to compel disclosure of information should help intelligent assessment of the value of legislation. We further propose that a full explanation — including rejected options — should accompany the introduction of a bill into the House.

The scrutiny of Government expenditure: In the complex modern world, the ability of the Cabinet to control adequately all aspects of Government expenditure is suspect. It would need superhuman ministers to achieve this.

The House, through a well-staffed public expenditure committee operating publicly (with safeguards for confidential matters), could help the Cabinet ensure departmental activity is genuinely in the public interest.

It is a matter of central constitutional importance.

Public debate on issues of the day: The *volume* of legislation and the way the House's business *is ordered* precludes adequate *discussion* of the important issues of the day.

We believe *more regular* sittings throughout *the year* would help remedy this. Limitations on legislative debate (as opposed to genuine scrutiny) and on the discursive set-piece Address-in-Reply and Budget debates would also provide time for specific debates.

We shall also be proposing radical changes to the present anachronistic methods of enabling backbenchers to initiate debates. And, in an attempt to preserve the opportunity for all members to operate intelligently and efficiently, we shall propose the banning of sittings of the House after 10.30 p.m. except in national emergencies.

In the interest of the open society, we shall also recommend that the privileges committee inquire into how parliamentary privilege can be reduced to the minimum necessary to enable the House to perform its legislative and scrutinising functions.

It should be emphasised in case readers are under a mis-apprehension, that the above views do not purport to be those of the parliamentary standing orders committee, or *any member of it.*

This time — a longer-term Budget approach?

by Colin James

NEXT week's Budget will not please the advocates of the "more market" economy.

But it is likely to embody at least some attempt to set out an economic strategy for the next few years.

Between 1975 and 1978, Prime Minister Rob Muldoon is said by Cabinet insiders, to have been by far the dominant voice in Budget-making.

This year, I am told, he has been more receptive to arguments from others in the Cabinet urging a longer-term approach to economic policy-making.

The Cabinet has been under intense pressure from National Party MPs to start moving back toward policies that are based more on the market than in the past three years.

The main thrust has come from the new MPs, who have championed the cry in the party outside the House for a return to the party's basic principles.

Older MPs have had their private enterprise blood stirred by this campaign.

Attempts to promulgate new regulations are being given a rough ride by the National backbenchers in their caucus.

The same refrain has been taken up — though in a modified form — by some of the newer members of the Cabinet: among them new boys Derek Quigley, Warren Cooper and Jim McLay and second-termer Hugh Templeton.

They have been urging on the Prime Minister in the context of Budget planning that the Government should try to free up the conditions *under which* the private sector operates.

The Prime Minister is said to have been reluctantly modifying his usual short-term approach to economic policy in the face of their arguments.

This is one of the reasons why he has called this Budget the most difficult he has prepared.

But even this group acknowledges that economic conditions do not permit a substantial move towards a "more market" approach.

Among the restraining factors are:
- A possible looming oil crisis which could severely damage the balance of payments.
- A wage bargaining structure which ministers feel has institutionalised wage rate rises that the economy cannot sustain.

DEREK QUIGLEY . . . questioned subsidies.

- Problems with the money supply.

Nevertheless, the Budget — which is much bigger and more complex than usual — is likely to indicate some new directions.

Thus, while removal of *import licensing is not* possible, some change to import protection is, likewise, while major tax restructuring is not possible, some movement is. The recent removal of exemptions of some items from sales tax is held up as an example.

One widespread expectation is that the Government will move to reduce (perhaps even eliminate) death duties.

This would fit comments made by the Prime Minister to National Party regional conferences last month.

It would also mesh with a developing Government feeling that the basis of support to the farming industry should be changed.

Quigley has recently *questioned the value of the* massive input subsidies paid to farmers.

And the Prime Minister himself, in a New Zealand Herald farming review, late last month said that "our longer-term objective is to move away from input-related *support measures".*

"Through growing emphasis on market and output-related support measures, I believe we can achieve the increase in agricultural output necessary for our restructured economy."

This can be taken as a signal that the Government will rely more on its supplementary minimum prices scheme than on input subsidies which seem likely to be lower this year.

But a move to reliance on a flexible exchange rate policy, as urged by Ian McLean, MP for Tarawera, and others is out of the question at the moment.

Caucus digs in on potato proposals

THIS is not the time to apply to the Government for new regulations to control your particular industry. Ministers say that the all-powerful Government caucus — the *National Party MPs* — is making life difficult for the regulators.

Recently a number of proposals have being given short shrift by a caucus rediscovering the virtues of private enterprise and individual initiative.

Take the case of the Potato Board, set up in 1977. It has wide powers, including the requirement that people growing potatoes register their tubered hectares.

Clause 13 (3) of its act, the *Potato Industry Act*, gives it also the power to administer a scheme for the minimum legal quality standards.

But the clause adds that this power is to administer a scheme "prescribed under regulations".

So, concerned about the effects the growers of sub-standard potatoes were having *on the blokes* who played *straight*, the board took up a 25-section draft set of regulations to the Government.

Last month the caucus told

ROB TALBOT . . . "refreshing."

agriculture undersecretary Rob Talbot it would not have a bar of this new intrusion on the principle of the free market.

Last week the Potato Board reconsidered the matter and decided to stick to its guns. It is expected to put the case again to the caucus agriculture committee later this week.

The board feels hard done by. It scheme, it argues, is not draconian. All it would involve would be to hire presently-employed vegetable produce graders on a contract basis to make checks of potatoes going to auction and send those below standard back to the offending growers.

The problem is that the untrained eye often cannot identify the bad potatoes and it does not become obvious until the potato is cut open.

But the board may be fighting an uphill battle. Talbot noted last week that the caucus refusal reflected the "greater attention we are giving to regulations coming before us. We are asking if they are really necessary."

Four times in recent months, he says, proposals in the agriculture sphere have been sent back to originating bodies for more information. Other subjects included fertilisers and hydatids.

Talbot says it is "refreshing and invigorating to have the whole team involved" in the process of scrutinising regulations.

EDITORIAL

RICHARD Prebble, the feisty Labour member for Auckland Central, is regarded in Parliament as a politician with one of the sharpest political noses in the House. Thus he is faster than most to detect the political sensitivity of an issue, and so he has the ability to move faster than most to try to take political advantage of a situation. Thus he must have appreciated the political nuances of his opportunity to make public the transcript of the controversial SPTV drug programme.

At the same time, Prebble has a genuine concern about the growing drug problem. He has a reputation as a tenacious battler for his constituents and on issues with which he becomes passionately embroiled. That probably explains his choice of tactics last week.

It also means he is inclined to shoot from the hip — in much the same way as does Prime Minister Rob Muldoon. There is some substance, therefore, in the claim by National's Derek Quigley that Prebble went too far. As Quigley argued: "It is generally accepted that members will not name a stranger to his detriment unless it is absolutely necessary to do so." If you accept this, then Prebble should not have named the men named in the SPTV script. And if he did name names, he should have identified the alleged big names in the drug business which he claimed to have — "Mr Suburban", Mr Northland" and Mr Asia".

Prebble said he was not prepared to name these men in Parliament because "privilege is an important thing and as I haven't got the backup evidence, I think it would be irresponsible to do so." But the SPTV programme was not screened for the very reason the allegations could not be substantiated. This should have prompted Prebble to find backup or to withhold those names, too.

Prebble was also accused of hampering police efforts to successfully nail drug criminals. He should have given the names to the police, it was said.

But the police had known of the script's contents for some four weeks, and thus had had plenty of time to check out the allegations. It is doubtful their efforts were undermined by Prebble's action. And police chief Bob Walton claimed the allegations contained nothing that would help police in their investigations.

While Prebble was typically aggressive in blowing wide open the mysteries of the TV script, Muldoon's immediate reaction was curiously defensive. Above all, he was preoccupied with upholding the reputation of his new Energy Undersecretary, Barry Brill. But it was Muldoon who drew public attention to the connection between his colleague and the name of Roger Brill in the script. He also singled out the Brills in seeking police assurances ("My inquiry was only in respect to Mr Brill, MP, and his brother. It is not for me to inquire into the other people, but obviously they would have been investigated." Yet the script had acknowledged "no *wrong-doing" on Roger Brill's part. Thus the anxiety to protect the reputation of a colleague probably did Barry Brill* more harm than good and gave the strong impression Muldoon was concerned initially only with the petty political implications of the Prebble disclosures rather than with the broader questions.

Subsequently, Muldoon vowed to give police still wider powers to smash drug rings. He would never be satisfied till drug dealing was stamped out, he said.

Is there a hint there of a readiness to resort to draconian measures if necessary? A democracy must be just as vigilant in its safeguarding of civil rights as in its efforts to put down repugant crime. And the community must ensure it doesn't allow the ends to justify any means.

Bob Edlin

DID you hear Prime Minister Rob Muldoon talking about the price of milk the other day?

At 15 cents a bottle it's still only half the price of soft drink, he said.

But soft drink has gone up by 20 per cent with the new sales tax, said the interviewer.

"Well if milk goes up, what better reason could you find to put the price of soft drink up?" asked the economic miracle-maker.

Which means that milk can go up another 20 per cent, which means — good thinking, Rob!

And if you're going to peg the price of milk to that of Coke, why not peg tea to gin, and bread to chocolate. There's money in it for the Government, and after all, who needs food?

●

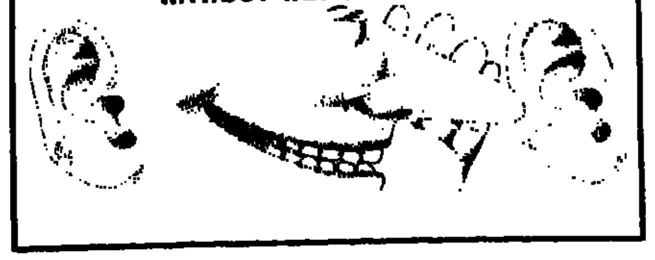
AN assiduous observer at the Wellington divisional conference of the National Party in Wanganui late last month was accountant-farmer Egan Ogier.

Ogier has been active on both the electoral and organisational sides of the party. He stood unsuccessfully for Western Hutt in 1969, before climbing through the Wellington division ranks to the chairmanship when George Chapman moved up to the presidency. He turned back to electoral politics last year, giving up the chairmanship and unsuccessfully seeking a Bay of Plenty nomination last year.

When Chapman considered stepping down earlier this year, Ogier, now farming subtropical fruit in the Bay of Plenty, let it be known discreetly that he would be available.

Last month he implicitly confirmed his availability by accepting election as treasurer of the Waikato division. Delegates at Wanganui saw his presence there as further evidence that he is interested in the job, should Chapman actually step down next year as he has hinted he will.

WITHOUT WORD OF A LIE



Family reasons have made Ogier a frequent visitor to Wanganui recently, so his attendance at the conference was no special pilgrimage.

Nevertheless, Ogier must be seen as one of the prime contenders for the post. No current party divisional chairman has both the experience and enthusiasm for the job, apart from Stuart Masters of Auckland — and outside Auckland, long-serving Masters' star is not bright, which makes Ogier a key man to watch.

●

CARAVAN builders, whose business operations have been walloped by the new 20 per cent sales tax, can go to the Development Finance for funds to help them out.

It looks like a case of the Government kicking businessmen into the mire and then tossing them a rope to help them back to dry land.

But for the moment the builders appear to be keeping at a cautious distance.

A spokesman from the DFC's Wellington regional office said that despite the noise from Levin builders, its offer has not been taken up.

●

JUST for the record, John Reed, the new boss of A H & A W Reed Ltd, the country's biggest book publishers, has been elected representative of the small publishers on the 12-man executive of the Book Publishers Association of New Zealand.

Each member of the executive is a convener of committees, for example the booktrade committee, copyright, library, censorship, finance committees.

John Reed — as well as convening the export committee — watches over the interests of the small publishers.

A spokesman for the association dismissed the suggestions of an apparent conflict of interest. The appointment was merely to provide the smaller publishers with a voice, he said.

The smaller firms were less able to give time to the association business than the larger ones. It was appropriate for the bigger publishers therefore to look after them.

●

MORE police raids on sports clubs in the Wellington region are expected in a clamp-down on illegal liquor sales. But many clubs don't want to play the game under the new rules.

The recent raid on Wellington's Port Nicholson Yacht Club is likely to be the first of a series of raids on clubs which have been granted a general ancillary licence to supply liquor, but have failed to uplift their licence from the Magistrate's Court.

Several clubs apparently are unhappy with the terms and conditions under which they would have to operate their newly licensed bars.

They are reverting to the various schemes under which they previously operated.

But they risk falling foul of the law.

Police say the clean-up programme does not amount to a witch-hunt, but is merely part of efforts to put all clubs, engaged in liquor sale activities, on the same footing.

General ancillary licences — so named because the sale and consumption of liquor must be ancillary to the principal activity of a club — were introduced by the 1976 amendment of the Sale of Liquor Act 1962.

Already 45 clubs in the Wellington area have received licences.

And police say they know other clubs which have also been granted licences, but have not yet picked them up.

To keep on the right side of the law, these licences must be displayed on club premises at all times.

Wellington licensing Sergeant Alec Murrie said these clubs are operating no more legally than those which operate various nefarious schemes such as ticket systems. They are all illegal, he said.

"Sports clubs which have applied for an ancillary licence and know it has been finalised but have not yet contacted the Magistrate's Court should not operate as ancillary licensed clubs until they have paid for, and uplifted that licence," Murrie said.

The legislation is new and hence clubs "must go along with it for a while", he said. Then, if they find anomalies and pitfalls, they can make representations for the legislation to be changed to "suit their requirements".

A Licensing Control Commission official said some clubs had come back to the commission dissatisfied with the conditions under which they were required to operate.

"The hours might be satisfactory for some reason", he said, but the commission could hear the application again and grant certain amendments. Generally, all clubs in a particular sporting code operate under similar conditions.

Adding to an already intricate maze of requirements laid down in the 312-page Sale of Liquor Act, the 62-page 1976 amendment has been called complex and cumbersome legislation.

The Police legal section is among groups looking at the legislation for problem areas and will make submissions to a Parliamentary Committee hearing later this month.

The submissions will be heard in private and so police were unwilling to specify the areas they would like changed. But they have been looking long and hard at the sections relating to caterers' licences and general ancillary licences.

●

NORMALLY, every word in an advertisement has a positive meaning. It is designed to influence and persuade. And readers and listeners are accustomed to expect this.

So when a warning must legally be included in advertising copy, is it necessarily comprehended as a warning? Or because its vehicle is an advertisement, is it understood as a promise?

The TV ad for the motion picture "Deerhunter" includes, in both spoken and written form, "R18 Censor's warning. Contains violence and offensive language."

And at the same breathless pace the voice continues: "See it now at your Kerridge Odeon theatre."

A warning? Or a titillating promise?

●

NEW Zealand is so small, it's silly for two New Zealand companies to fight each other for foreign contracts when the net benefit is for the country as a whole. Such was the rationale when Fletchers Construction and Mainzeal left together for China recently to view for a $8 to $10 million hotel contract.

Former competitors, Fletcher's Hugh Fletcher and Mainzeal's Peter Menzies, went to China's Canton trade fair as hopeful joint venturers.

If they get the contract to build the hotel at Kweilin, Vacation Hotels might be asked to take on the management contract. Fletcher has 40 per cent of Vacation.

But there could be snags. The Chinese apparently want the contractors to finance the project. And other countries have been winning Chinese contracts with long-term credit at 6¼ to 6½ per cent interest.

Before the Canton fair opened, hopeful China traders were encouraged by the news that China would be spending some $300 billion over the next 15 years in a modernisation programme.

But experienced China traders were told at the fair that China had overspent and millions of dollars of signed contracts were being put on ice.

●

PYE Electronics priced itself out of the market the other day and contributed to the Kiwi do-it-yourself trend.

An Aucklander dropped into Pye to get a light bulb for his Pye car radio. The bulb, he was told, cost 90 cents. But the company couldn't sell him the bulb. They had to install it at a further cost of $15.

So our citizen drove down to the nearest garage, bought a bulb for 90 cents, and put it in in ten minutes with only rudimentary tools.

●

LABOUR MP Richard Prebble picked up an NBR story on export tax incentives and kicked it along in Parliament last week.

In tandem with Roger Douglas, Prebble has put down a series of motions on the subject over the past week.

One of them noted "with concern" our front-page story by John Draper on May 30 which revealed that departmental officials had been familiarising manufacturers with the new proposals and canvassing support.

Prebble went on to allege that "confidential information which could be worth thousands of dollars on the Stock Exchange is being offered to businessmen in return for their support."

Douglas, who drafted the Prebble motion, added a prediction of his own: that the new scheme would "include a proposal to abolish the new markets grant scheme with a new export grant scheme the effect of which will be to assist the big exporters at the expense of new and expanding exporters."

Douglas would not add to this comments last week. But apparently we can expect him to elaborate in Parliament this week.

●

IN WHAT would have to be the greatest convocation of conservatives ever collected under the Southern Cross, Qantas took off the other day on a luxury charter flight with only the right wing aboard.

The object: to visit the source of Australia's mineral wealth and $10 billion worth of projects stalled by bureaucratic interference.

The occasion: Lang Hancock's 70th birthday.

Lang Hancock, for those readers unfamiliar with West Australian folklore — is the outback prospector who discovered the world's biggest iron ore deposits. He became the "dig a million, make a million" king of the Pilbara and Australia's biggest and most recalcitrant taxpayer.

Hancock's daughter is organising a two-day round Australia flight to mark her father's birthday. Full page advertisements in Australian newspapers call it a "wake up Australia campaign" . . . tickets $500 for travel, accommodation, and drink.

Star guests will be Hancock, Queensland Premier Joh Bjelke-Petersen and father of the H-bomb, Edward Teller.

Why "banana" Joh and Teller? Well, like any good West Australian, Hancock thinks big. He wants a trans-Australia railway linking Queensland coal with West Australian iron. And atomic blasting is the cheapest way to extract iron and create deep water ports. Tiller is interested in peacetime uses for his device.

According to Hancock's daughter, Gina Hayward, "our hope is that this expedition will wake up Australia, its press, its political leaders, its people, to the potential of this country, when free enterprise is allowed to get on with the job."

Australia's salvation, according to Hancock, lies in the soil. You either dig it up and sell it or you grow things in it. Trouble is Canberra bureaucrats and numerous ecologists (econuts to Hancock) get in the way of his West Australian pioneering drive. As for the bureaucrats, Hancock argues that West Australia, which produces a disproportionate part of the nation's wealth, should go independent. And ecologists? Above Hancock's desk is a sign saying, "ecologists, let the bastards starve in the dark".

Warning to any New Zealand businessman with $500 to spend, sick of bureaucrats, penalty taxation, a maze of restrictions, and muddled economic thinking, a trip to West Australia might be a one way ticket.

●

NEW Zealand may not be the Woolworths of the South Pacific for visiting American tourists. Virtually everything from groceries to hotels is cheaper in the United States.

But New Zealand has one resource in abundance which Americans will go to the bottom of their pockets and the ends of the earth to get — trout.

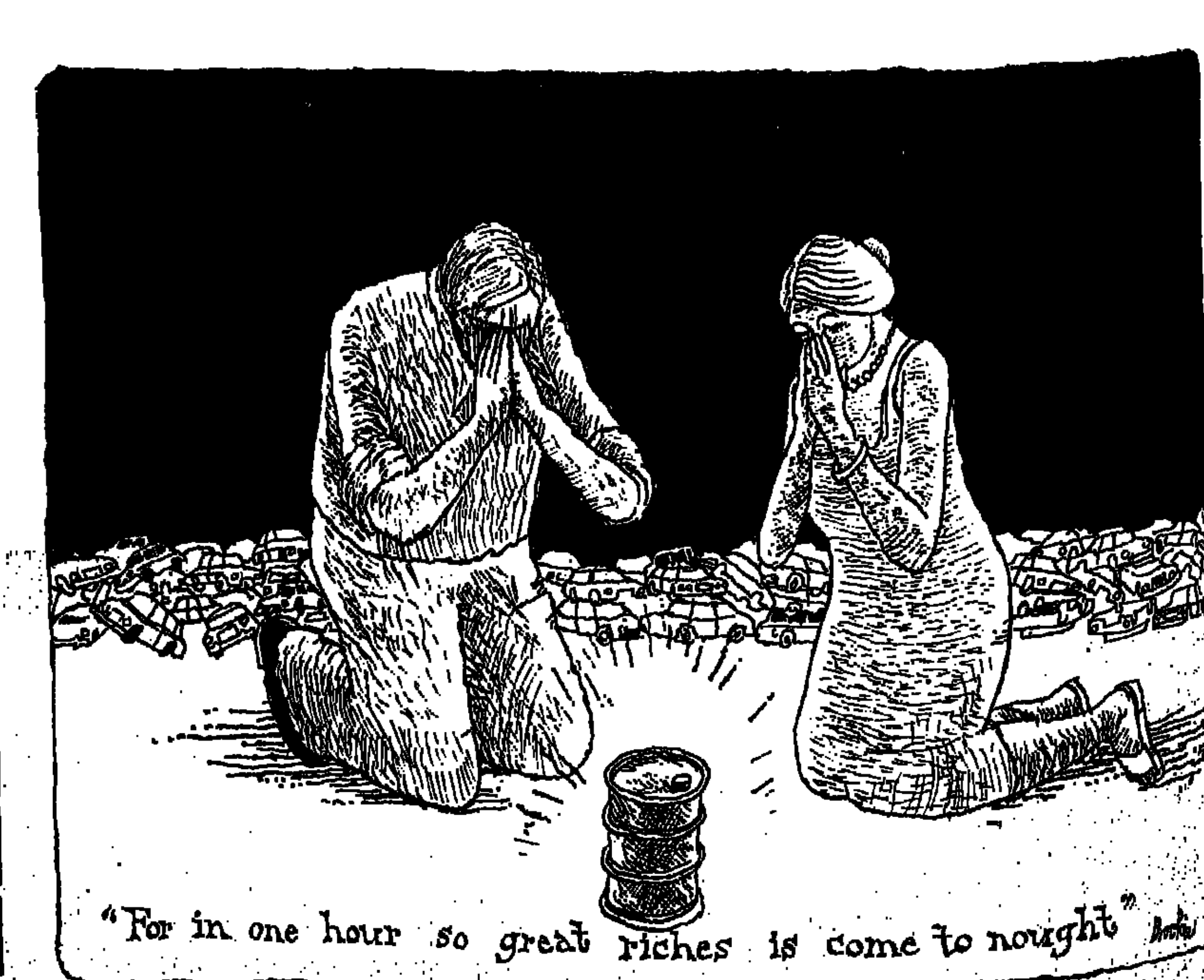
NBR staffer, Warren Berryman spent a recent week junketing the United States with Continental Airlines and found even the Texans just would not believe New Zealanders threw back trout that the average American would have hanging on his living room wall.

A Tucson Arizona paper ran a fishing feature three weeks ago, about a hidden lake high in Arizona's White Mountains accessible only by four wheel drive vehicle where the big trout lurked. The story built up to a crescendo after muddy kilometres and stuck jeeps, when the monster trout was caught — a 37cm rainbow.

There was no way the Kiwi journalist could convince the Arizonans that we throw 37cm trout back as too small and talk about 42cm ones as frying pan size. And that such trout could be caught just about any tick of the clock, 100 metres off a paved road.

Judging from the Americans' interest in our pan-sized trout, it might be an idea to replace some of those tourist brochures featuring Mitre Peak and mud pools with a certified liar-proof photo of some of our real whoppers. No doubt the Yanks wouldn't believe us, but they might come down to look anyway.

BROCKIE'S VIEW



"For in one hour so great riches is come to nought" Brockie

Editor: Bob Edlin. Editorial: Ralph Green (Production Editor), Rae Mazengarb, Colin James, Belinda Gillespie, John Draper.
Advertising Manager: Paul A. C. S. Loh. (P.O. Box 9344, Telephones 736-876, 859-019, Wellington.)

Auckland office: Editorial, advertising and distribution inquiries: Warren Berryman, Telephones 685-885, 687-98...
Published by Fourth Estate Newspapers Ltd, 15 ... Street, Wellington. Printed by R. Lucas & Son (Nelson ...) Ltd, 15 Bridge St, Nelson.

Radio stations slug it out in rating game

AUCKLAND'S radio stations are slugging it out in a heated battle for the advertising dollar.

The battle began with the "who's listening to whom" ratings game based on a recent BCNZ audience research survey.

But it has shifted to a contest of credibility between the Government-operated BCNZ surveys and those done by Auckland-based independent, McNair Surveys NZ Ltd.

Advertising agencies which base their media-buying decisions on survey results showing target audience shares held by competing stations are now beginning to ask themselves if the BCNZ should do audience research on its own radio stations, comparing Radio New Zealand stations' share with private radio.

It all started last month with a BCNZ survey of Auckland radio. This survey, covering the first four weeks following Radio Pacific's entry to the market, showed Radio Hauraki's audience share to have plummeted from 34 per cent to 20 per cent and Radio New Zealand's 1ZB to have rocketed to the top with a 32 per cent share.

Radio New Zealand stations began deluging the advertising agencies with circulars based on this survey, claiming they were now number one on the Auckland scene.

Some of the agencies were getting up to three circulars a day.

On all of them, the message was the same: Government-owned radio had knocked the private stations for six so put your dollars with the winners.

Then the bubble burst for Radio New Zealand. Radio Hauraki questioned the validity of the BCNZ survey and complained to the BCNZ Audience Research unit, its advisory council, and the Market Research Society.

Hauraki also went to the Supreme Court and obtained a temporary injunction against publication of the survey.

In company with advertising agencies, NBR received a telegram from Radio Hauraki which read in part, "BCNZ four weeks survey proven to be seriously inaccurate . . . legal actions now proceeding . . . McNair survey over same period shows Hauraki remains number one 10-54 years . . . please disregard completely the erroneous BCNZ survey..."

Analysis of the survey results show its results to be based on a tiny sample of 352 people (out of Auckland's population of 0.8 million).

Auckland's radio stations have geographical strengths and weaknesses. 1ZM and 1ZB are strongest in West Auckland, Hauraki and possibly Radio Pacific have their greatest strength in South Auckland, and so on.

The survey covered only four weeks with only four sampling points per week and was a breakout from a wider 13 week survey.

Last week the BCNZ published the results of the whole 13 week survey in its entirety.

About the same time, McNair was doing a survey combining television and radio audience research for Radio Hauraki and 1ZB.

When Radio New Zealand started crowing about the results of the four-week survey — and taking advertisers from Hauraki and Radio Pacific — Hauraki asked McNair to produce some results.

The McNair survey results corresponded roughly with the BCNZ's nine and 13 week surveys. Their sample was 903 people.

Baring the four week survey, the publication last week of the whole 13 week survey re-established the audience share status quo — except for one factor.

The casualty in the 13-week survey was Radio Pacific. During these 13 weeks, Radio Pacific was only on air for four weeks, and two of these four were part-time broadcasts.

THE MEDIA

Thus in the averaging of the whole 13 weeks, Radio Pacific showed only a 1 per cent audience share.

Radio Pacific's Gordon Dryden said he had considered legal action against the BCNZ.

But instead, he conducted his own survey to see if there was really anyone out there listening to his all talk station.

Radio Pacific's survey was based on phone interviews of 1500 households conducted during the day-time only.

Last week Radio Pacific broadcast its preliminary results claiming to be number two equal station with Hauraki in the morning 10 to 11 slot.

Hauraki spent some $50,000 trying to boost its audience shares prior to the four week survey coming out. It lost about the same amount in cancelled ads as a result of the four week survey. (Though these ads appear to be coming back now, the advertisers are aware of the McNair and 13-week survey results).

Hauraki's advertising wholesaler, Creative Media Services, is countering Radio New Zealand's campaign with its own circulars to the agencies.

Hauraki's language is a bit stronger than Radio New Zealand's first shots against private radio.

Hauraki's circular tells agencies that the station is still the most efficient media buy and tops when it comes to reaching the prime consumer market.

It goes on to say: "If you want to reach old housewives buy 1ZB ... a few punk rockers buy 1ZM ... geriatrics buy Radio I, and if you don't want to reach anyone in particular buy Radio Pacific."

Apart from Hauraki and Radio Pacific, the BCNZ surveys could be the loser in the piece.

This is not the first time a BCNZ survey has been brought into question. About two years ago the BCNZ attached a questionnaire on Radio New Zealand's Tonight show to the survey diaries, thus adding a bias in favour of Radio New Zealand to the survey results.

When the private stations got hold of this information, they complained and the survey was canned.

Following the BCNZ's four-week survey, at least two Auckland agencies said they would be cancelling the BCNZ audience research service and would rely on McNair in future.

The following are the results of the recent surveys. The McNair and BCNZ surveys are based on audiences in the 10 plus age group from 6 am to 12 midnight, Monday to Friday. Radio Pacific's survey is based on a telephone survey of 1500 households taken on weekdays from 7 am to 5 pm.

STATION	MCNAIR	BCNZ 9 WEEKS	BCNZ 13 WEEKS	BCNZ 4 WEEKS	RADIO PACIFIC
Hauraki	28	34	30	20	22
1ZB	30	31	31	32	33
1ZM	14	9	12	17	7
Radio I	8	9	10	10	9
1YA	-	13	14	15	15
1YC	-	4	3	2	2
1YA & 1YC	11		-	-	-
Radio Pacific	8	-	1	4	15

(figures are given as percentages).

The telegram from Radio Hauraki uses the McNair survey to support its claim to be No. 1 in the 10-54 age group. Curiously enough, Radio New Zealand offers the same piece of research as evidence that "both radio station 1ZB and 1ZM have increased their share of the Auckland radio audience while Radio Hauraki has lost ground".

But while radio stations are hotting up their claims to be "No. 1", agency media men are tapping their computers to find out not which station gives most, but which gives most for the money.

Game draws 240 teams

MORE than 240 teams are now well into the first round of the International Computer (NZ) Ltd-National Business Review-sponsored, Business Management Game 1979.

Entries for the game were received from all around New Zealand with a substantial increase in interest from the South Island.

"The list of teams shows a considerable spread of different types of people and companies interested in participating in the game, with many companies obviously using the game as part of their management training programmes," said games administrator Dr Michael Jameson.

As with the real economic situation, the "economic climate" which the game contestants face is by no means an easy one.

The first three decisions of the game were carried out under restrictions on plant extension brought about by "industrial troubles" while "government moves to curb excess liquidity and encourage competition have been indicated".

Increased interest rates, reductions in the amount available for borrowing and a slowing down of payments from debtors are some of the factors Business Management Game teams will have to contend with in further decisions in the first round.

The last decision of the first round will be made by August 1 and the results will be known within a week of that.

In previous years the teams with the highest profit have gone on to contest the second round. This year, the first and second teams will both go forward.

The game consists of three rounds played by post.

The winning teams in the third round in each of the four regions, Auckland, Central North Island, Wellington and the South Island, receive $200.

Each of these teams then go forward to a one-day national final to be held in Wellington in November.

The winning team in the final receives a cheque for $1000 from International Computers while all the finalists receive subscriptions to the National Business Review.

HOW TO HALVE YOUR TAX!

If you earn more than $15,000 a year, you probably pay *too much tax*. But an article in **"The Small Business Letter"** shows how you can halve or even eliminate your tax.

This technique can be used by companies, partnerships, sole traders, and even salaried employees.
It's completely legal.

And it's not some fancy loophole in the tax laws. It is a scheme even the Inland Revenue Department approves.

It sounds too good to be true? Well it's only one of 500 money-saving ideas published each year by **"The Small Business Letter"**.

Each fortnight it comes straight to the point with information on which you can act.

***The next money saving issue* shows:**

- **How to reduce tax when buying or selling a business;**
- **How individuals, partnerships, and companies can halve or even eliminate income tax;**
- **A simple way to buy for lower prices;**
- **Ten ways to dramatically improve your cash flow - without borrowing;**
- **Techniques to cut office costs;**
- **How to have limited liability without paying company tax;**
- **How to get more out of your accountant;**
- **How new businesses can use the tax laws to gain advantage over established competitors;**

Plus a dozen other articles vital for people making money.

Almost any issue could save you far more than it costs.

Subjects covered by **"The Small Business Letter"** include:

- Advertising techniques
- Reducing staff turnover
- Business planning
- Budgets
- Staff efficiency
- Executive health
- Telephone techniques
- Expansion
- Business opportunities
- Better staff relations
- Accounting
- Cutting office costs
- Market research
- Finance
- Incentives
- Buying businesses
- Selling businesses
- Insurance
- Risk management
- Business strategies
- Security
- Motivation of staff
- Self improvement
- Time management
- Computers
- Legal
- Reducing bad debts
- Negotiating
- Avoiding failure
- Selling
- Credit control
- Inflation trends
- Reducing costs
- Interest rates
- Gold futures
- Task delegation
- Exporting
- Efficiency
- Business meetings
- Packaging
- Govt decisions
- Productivity
- Management
- New business ideas
- Leasing equipment
- Customer relations
- How to beat competitors
- Selecting new products
- Safety
- Increasing sales
- Investment
- Marketing
- Attracting better staff
- Reducing absenteeism
- Creating business images
- The economy
- Reducing vehicle costs
- Raising capital
- Stock control
- Business Cycles

"The Small Business letter" is a highly successful newsletter with subscribers in a dozen countries. Its international success is because it so accurately fills the real needs of businessmen today.
Every article is selected because it can help subscribers either make or save money. Each issue is only four quarto pages. Loaded with an average of 20 money-making articles. The letter doesn't skimp on details when there is need for a longer article. But the average length of an article is only 100 words.
This really saves you time.......

FREE!

Subscribe now and you will also receive our free Business Reports – **"Making Money in Mail Order"** and **"How To Beat the Bank"**.

For your 'Small Business Letter' subscription clip the coupon on opposite page

DO YOU WANT A BANK LOAN?

Getting a bank loan needn't be hard. It's easy if you know how.

FREE REPORT

A free special report for new subscribers of **"The Small Business Letter"** gives 50 ways to get better, safer and cheaper bank loans, including:

- How to improve your chances of a loan;
- What to do if you see a financial crisis coming;
- How to prepare a loan application;
- Why you should occasionally exceed your overdraft limit;
- What to do if the bank says no;
- What are the best months for a bank loan;
- How to reduce the risk of a new branch manager turning against you;
- Why you should give limited security;
- When you should change your bank.

In the current tight financial climate, this information is vital. It could be the first big step in securing the finance you really need.

"The Small Business Letter" is designed for busy people. Designed for you.

It's brief and to the point.
You read it in minutes.
So it saves you time as well as money.
"The Small Business Letter" is Australia's **most** successful newsletter – and now we announce the exclusive, totally New Zealand oriented edition.
Until now, airmail subscriptions from Australia cost $60 a year. But now a 12 month subscription (25 issues) of the New Zealand edition is **only $40**. Or a two month trial (5 issues) is **$10**.
Not only is the cost **lower**, but it's now a truly New Zealand edition.
So it's even more **valuable** than before.
You can't afford to be without **"The Small Business Letter"**.

FREE REPORT

How to start and operate a successful mail-order business.

Mail-order selling is one of the big business boom areas in Australia and America.

It is one of the few areas available where you can make a fortune with very little finance.

Millions are being made now by people who started with only a few dollars.

And a four-page report from **"The Small Business Letter"** shows how you can break into this lucrative field.

This vital report was written by a man who organised one of Australia's most successful mail order businesses.

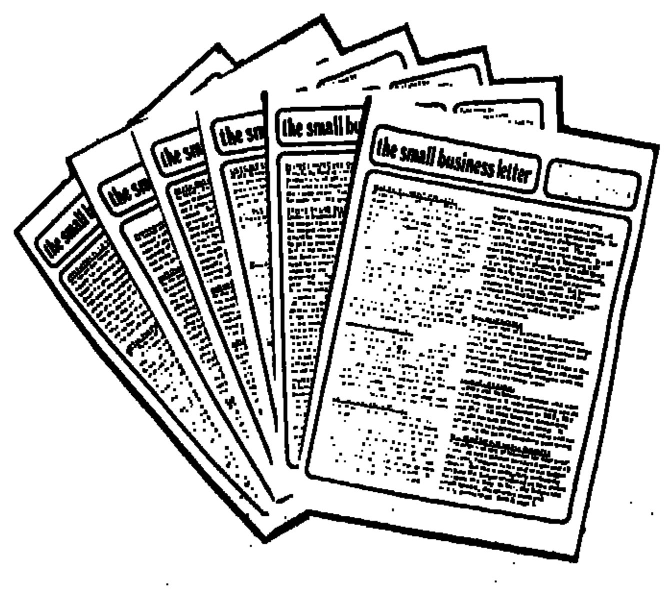
He knows the pitfalls. And explains them.

And he knows what you need for success. He tells you:

- Seven points to help you select a successful mail order product:
- How to start mail order selling with next-to no finance;
- How to identify the most successful advertising media;
- How to write successful mail order advertisements;
- How mail order improves a business's cash flow;
- How to keep customers coming back for more;
- How to double mail order response rates;
- The advantages and disadvantages of mail order in N.Z.;
- How much profit should you make on mail order products;
- How you can start mail order as a part-time job;
- How to set up records which *instantly pin-point your successes and failures;*
- *How to use a successful NZ mail order business as a* springboard to international success.

This report is a genuine business expansion service. It is offered free to all new subscribers. And it forms part of a series of inserts regularly issued to current subscribers of **"The Small Business Letter"**. Send now and receive each report as it comes hot off the press.

Subscribe Now 5 issues just $10.



Join 1000's of satisfied subscribers all over Australia.
SUBSCRIBE NOW – COMPLETE & MAIL COUPON TODAY!

If coupon removed write to:
The Publishers,
The Small Business Letter,
18a Rock Isle Road, Torbay, Auckland 10.

Do it now. Even a week's delay could cost you far more than the annual subscription cost.

Mail coupon to:
The Publishers,
The Small Business Letter,
18a Rock Isle Road, Torbay, Auckland 10. NZAB

Please enrol me as a subscriber to The Small Business Letter and send me by return post my free copies of "How to beat the bank" and "Making money in mail order."

Enrol me for ☐ 2 months trial (5 issues) at $10
☐ 12 months subscription (25 issues) at $40
☐ 24 months subscription (50 issues) at $80

PLEASE PRINT CLEARLY TO AVOID MAIL DIFFICULTIES

Mr/Mrs/Miss ______
Address ______

☐ My cheque/money order enclosed
☐ I authorise you to charge my account at.
☐ American Express Card Expiry Date ______
☐ Visa Card

Signed ______ Date ______ NBR11

Maui fishes $500 million out of circulation

by Rae Mazengarb

"WE HAVE decided to call this well Maui 1 after the well known mythical Maori character who once conducted such a successful fishing operation in these waters. We hope that we shall be just as successful as Maui in landing something worthwhile." (David Tudhope, chairman of the Shell group of companies in New Zealand, 1969.)

Maui gas came ashore on May 31 this year, but the 84 month project—the first offshore production venture in an earthquake-prone area—has had its fair share of problems, including some of the worst weather experienced in more than 25 years.

By this year, costs of the venture had soared to more than half a billion dollars—far beyond the expected adjustment for inflation. But worse, too little thought over the years had been given to the end use of the gas, though it was known even in 1973 that some "crucial decisions" had to be made on New Zealand's future energy requirements.

Maui Milestones

●October 1, 1965: Shell, BP and Todd Oil Services Limited was granted an offshore petroleum prospecting licence off the Taranaki coast.

●1966-67: Seismic and aeromagnetic surveys were carried out.

●January 1969: The drillship "Discoverer II" was brought to New Zealand. Maui 1 was spudded in 52 kilometres off the South Taranaki coast. Natural gas, condensate and some crude were discovered.

●October 1969 and February 1970: Maui 2 and 3 were drilled closer to shore. Gas and condensate were again found.

●February 1970: Government established an Officials Committee to negotiate with SBPTOS Ltd.

●December 1970: An international petroleum consultancy firm's assessment of the field—5,160,000 MMBtu's and 75 million barrels of condensate—prompted Government to proceed with the project.

●April 1971: Price negotiations began.

●April 1973: Government and SBPTOS Ltd announced their agreement in principle of joint venture with Government purchasing a 50 per cent interest for $30 million. A joint company would be formed to develop and operate the Maui field.

●October 1973: Final documents were executed.

Warren Freer, then Minister of Energy Resources, presented the Maui White Paper to Parliament.

"The development of Maui is the largest single undertaking ever entered into by the State in the history of New Zealand. It has added significance in that it comes at a time when New Zealand has to make crucial decisions on how its future energy requirements are to be met", he said.

Maui Development Limited was incorporated in Wellington as a private limited company, to act as a services company for the four mining companies in the joint venture. Bryan Todd (later Sir Bryan) was elected first chairman.

●March 1974: Nippon Kohan KK of Japan, was awarded the contract for the construction of the tower, piles and tank decks at a cost of $10.5 million.

●April 1974: Brown and Root International Ltd of Canada, was awarded the contract for the installation of the platform and pipeline.

The contract for approximately 215 miles of onshore gas pipeline was awarded to a Japanese consortium.

●September 1974: Arnold (later Sir) Nordmeyer became chairman of Maui Development Ltd for the ensuing 12 months. Oaonui to New Plymouth Pipeline Environmental Impact Report was published. A longer and costlier coastal route was proposed for environmental reasons.

An agreement was made with Federated Farmers for land liaison committees to be formed to draw up terms and conditions of land easement.

●December 1974: The Commissioner for the Environment reported in favour of the longer coastal route for the Oaonui to New Plymouth pipeline.

●March, 1975: Fukuda Salvage KK was awarded the contract to tow the tower to New Zealand.

●May 1975: Saipem-McConnell Dowell Joint Venture was awarded the contract for laying the pipeline from Oaonui to Huntly.

●September 1975: David Tudhope succeeded as chairman of Maui Development.

The tower began its 8400 kilometre tow from the shipyards in Japan. It was the first time such a tower had been towed using its own buoyancy over such a long distance through typhoon and tropical cyclone zones. The tower arrived without mishap in December. Meanwhile construction work had begun on the Oaonui production station. Some unique obstacles were encountered, including a Maori burial ground that had to be circumnavigated when it came to laying the pipeline between the station and the offshore platform.

●Late 1975: Offshore Mining—the Government partner in Maui Development Limited, negotiated a loan for $200 million to meet New Zealand's share in the joint venture.

●December 1975—May 1976: Some $42 million was spent maintaining the off-shore installation fleet. By the time the last remaining barge was mothballed, less than two weeks work on the original timetable had been completed. Bad weather was consistently cited as the reason for delays.

Even so, during the worst summer weather experienced in 25 years, the Maui tower was up-ended 37 kilometres from shore in 109 metres of water on January 4.

Weather conditions continued to be severe and during May only 42 hours could be worked on the piling operation and work ceased during the winter months.

●May 1976: A special meeting of the board of Maui Development Ltd decided to replace the Brown & Root crane barge "Atlas" with the Netherland's crane ship "Blue Whale", designed to continue working under conditions that would force conventional barges to seek shelter.

●June 1976: "Atlas" was released from service. The chances of weather improvement were assessed as too slim to justify continued employment of the barge at $67,000 per day.

●November 1976: the "Blue Whale" arrived in New Zealand from the North Sea.

●August 1977: Minister of Energy Resources George Gair announced LPG from the Maui field could substantially reduce New Zealand's oil imports. Government wrote to the Maui consortium with proposals to set up an LPG plant at Oaonui.

By September some six proposals—ranging from $50 to $250 million—had been submitted to Government for making nitrogenous fertilisers or methanol from Maui gas. Minister of Trade and Industry Lance Adams-Schneider said that a small domestically-oriented ammonia-urea complex would be viable but the feasibility of a chemical methanol plant would depend on export markets.

●October 1977: The weather-plagued pile driving of the Maui A tower was completed.

Underwater pipelines between the tower and the coast had been completed.

Modules were placed on the tower during November and early December. The living quarters and helideck were lifted and placed; by December the men were living on board.

●December 1977: Government and the Natural Gas Corporation (the operator for the onshore gas transmission system) signed a contract for the supply of Maui gas for direct use. The 13 per cent used in this way was to rise to 20 per cent by the mid-1980s. Arrangements were also concluded for the installation of a cathodic protection system for the tower. Contracts were entered into with Oceaneering NZ Ltd and Wharton Williams Limited, for diving services for the installation of cathodic protection anodes. The installation took place in early 1978 throughout drilling operations.

●January 1978: Drilling of the first of 14 production wells began.

●March 1978: Damage to cross-bracings on the Maui Tower sparked a mass evacuation from the platform. Shortly after, new chairman John Fair announced the decision to re-man.

By now Maui Development had publically esticated the field to be worth some $2,500,000,000.

That month Fair said "Estimates made early in 1977 by Shell, BP and Todd Limited show that Maui contains some 6630 million million Btu's. These estimates place the reserves of Maui at a level [illegible] per cent greater than those assumed in the 1973 White Paper".

●May 1978: The Pa[illegible] Installer arrived to replace the "Blue Whale".

●June 1978: Oceaneering NZ completed the contract work as diving support for the "Blue Whale".

●July 1978: Production testing of the wells was conducted.

●September 1978: Muldoon Government had announced Government had decided to proceed with design work for an optimum-sized methanol plant capable of meeting a 15 per cent methanol 85 per cent petrol blend requirement, from Maui gas.

●December 1978: Government released Maui Development from its obligation to let all necessary contracts and tenders for the construction of the Maui B platform by January 1979. Minister of Energy Resources Bill Birch announced this was because of a downturn in gas requirements for electricity generation, but the decision would be reviewed within [illegible] months.

●April 1979: Production drilling was completed.

●May 31 1979: Prime Minister Rob Muldoon officiated as gas flowed on-stream at Oaonui. The cost of the whole project had soared to over $576,000,000 and there was still no market to make Maui pay.

Big spending energy giants bid for Maui

THERE is little doubt that New Zealand's long-time love affair with electricity choked the only chance the country would have had to wrench itself from the grip of Opec.

While the oilmen laboured for seven years to fulfil their contractural obligations it was only last year (with the establishment of the Liquid Fuels Trust Board) that the bureaucrats took the environmentalists seriously and dropped their sights on Maui gas for electricity. So then, what of Maui?

Prime Minister Rob Muldoon says Maui can be "tucked under our belts".

But his own representatives on the board of the state owned Maui partner, Offshore Mining, are privately saying that the planning shambles could have left their company insolvent, had it not been for the Government underwriting loans.

And it seems that even Muldoon's own cabinet Ministers are not aware of the energy realities. At a recent public meeting at Kapuni, (the very day that Maui gas officially came on stream) Environment Minister Venn Young went to score a point for the noise issue which is a major point in the State petrochemicals project. Young told the 450 people present that the Oaonui shore station wasn't noisy that day. Of course it wasn't . . . the compressors were not operating because the New Plymouth Power Station wasn't using the Maui gas.

The sad fact is that despite millions of dollars taxpayers are footing to service the Crown's part of the Maui debt, it's clear the Crown will not be able to use anything like the contracted quantities of gas in the next few years. This means we'll be even further in the grip of Opec because the sorely needed supplies of condensate and LPG will be locked into the Maui field.

Muldoon coloured the picture of the extent of Opec influence on our liquid fuels future by pointing to trippling oil prices this year. His claim may well prove to be exaggerated but it's a sobering thought to ponder the effect of what would be the result of such increases being passed on to the motorist. The cost of each litre of premium grade petrol could be $1.

Of course many would argue that this can only prove Maui even more valuable. As demand for liquid fuels outstrips supply, Maui will become more sought-after.

Yet the question which confronts us now, is the same that we've chosen to ignore since the first Opec hic-cup in 1973. What direction must we move in to get maximum benefit?

When the Liquid Fuels Trust Board reports to the Government in two months, the most likely options will be qualified and quantified. Already the New Zealand company sisters, Shell, BP and Mobil, have drawn battle lines. Shell, with its $2 billion liquefied natural gas (LNG) export proposal; BP with its local and export ammonia-urea-methanol scheme; Mobil with the synthetic gasoline-diesel proposition.

Shell: capital intensive

THE Shell scheme is by far the most capital-intensive of the three most significant Maui gas based options.

Shell describes it as a $2 billion "conceptual" plan which involves chilling natural gas for North American and Japanese markets.

The start-up date is cited as 1988, and extra offshore platforms and LNG tankers are part of the package.

Liquefied Natural Gas is a "cryogen", that is, a substance created by very low temperatures. At 260 degrees fahrenheit, 600 cubic feet of gas is condensed to one cubic foot. The gas is revapourised which involves heating under controlled conditions.

The Shell scheme would offer New Zealand the opportunity of locking Maui into OPEC pricing moves by effectively "swapping" the LNG for oil. Earnings (1979 could be $500 million per annum (including LPG + condensate).

Shell says it would use 40 per cent of the maximum take or pay quantity in the Maui White Paper, and would therefore not prejudice other options such as BP's Petrochemicals proposal, and Mobil's synthetic gasoline scheme.

BP: local and export

THE BP proposal involves the use of 23 per cent of the maximum take or pay level of Maui gas which would be processed in a $400 million ammonia - urea - methanol plant.

The company has an option on a 300 acre block at Omata, near New Plymouth, and the plant would be designed to produce two thousand tonnes of methanol a day; 1200 tonnes of ammonia a day; 1000 tonnes of urea a day. (The urea would use 600 tonnes of ammonia as feedstock.)

The BP scheme is currently being researched by United States consultants Davey International, and Pullman Kellog.

The company says half the methanol production could be for local use (as a petrol extender) and the ammonia-urea would be produced far more cheaply than that from the Natural Gas Corporation's ammonia-urea plant planned for Kapuni.

Mobil: gas to gasoline?

MOBIL'S proposal is a methanol-to-gasoline process based on methanol derived from natural gas (or, in the long-term, coal).

Proposals to establish a plant, at a yet to be decided site, have been made to Government and costs are estimated at $1000 million.

Mobil says perhaps half New Zealands daily requirements —2500 tons—could be met within the natural gas capability of the existing Maui A platform, with 6000 tons of raw methanol feedstock required to meet the daily production run.

Mobil says the process of converting natural gas to high-octane petrol does not require costly vehicle conversions or duplication of storage and supply facilities.

Detailed design and engineering planning would be expected to take one year to complete, with 2 to 3 years (the same period for the erection of a methanol feedstock plant) for the construction stage.

Petrocorp: sparks debate

THE Petrocorp proposal involves the use of an estimated 2 per cent of the expected Maui gas field output.

Provided the necessary approvals are given by the relevant authorities a $60 million ammonia urea plant will be sited alongside the Kapuni natural gas treatment station.

The complex comprises an ammonia plant to manufacture ammonia from natural gas and a urea plant to manufacture urea, using the ammonia as a feedstock.

Petrocorp says the plant could produce 272 tonnes of ammonia and 470 tonnes of urea per day or a total of 155,000 tonnes of urea per year.

Initially the plant is intended to supply the domestic market only, though Petrocorp says "the plant's capacity will be larger than necessary to meet New Zealand demands. Efforts can be made therefore to seek export markets" . . .

Urea is used mainly as a nitrogenous fertiliser and the plant envisaged will produce more than four times New Zealand's current usage.

The proposal therefore, has sparked a debate on the effects on New Zealand's grasslands economy of increased usage of nitrogenous fertiliser and a resulting decline in the use of superphosphate.

Lpg: supply dictates

A BY-PRODUCT of natural gas, liquefied petroleum gas (LPG) is mainly a mixture of butane and propane and is used for long distance transportation and static applications for industry.

The main problem with LPG is going to be its availability. At present the market is taking the total production of 20,000 tonnes per annum, and any expansion of this output is expected to take 3 to 4 years to develop.

With Maui on-stream, there is the prospect of stripping LPG from the raw gas at a rate of over 400,000 tonnes a year.

But as with the recovery of condensate, LPG production is dictated by the size of the gas market. Hence its availability will depend on the use of Maui gas in other schemes, for example, the petrochemical industry, liquefied natural gas (LNG) for export.

LPG can be used as a liquid fuel to power motor vehicles, conversion costs ranging from $600 for a fleet vehicle to $800 for a "one off". LPG has numerous applications in industry, especially the food industry . . . (fruit drying, fish drying, hop and malt drying, can making, bottle washing, distilling whiskey) . . .

It is used in the glass industry, metal industries, the textile industry, hospitals, schools, camping sites and a host of other applications.

LPG is a gas at normal temperature but can be liquefied by compressing to a pressure of up to 200 pounds per square inch and stored in pressure cylinders at a fraction of its original volume.

CNG or compressed natural gas is natural gas compressed to a pressure of up to 3000 pounds per square inch and stored in high pressure cylinders. Volume is larger than the equivilent LNG.

Unlike the case with LPG, CNG is immediately available and with Maui gas on-stream, abundant supplies will be available as transport fuel for motor cars, trucks, buses, boats, farm and contracting equipment and so on.

CNG is obtained from the Gas companies through the normal natural gas reticulation system.

Compressors are the main requirements of CNG distribution and these facilities can be established at an approximate cost of $35,000.

Carburetion conversion units are available at a cost of approximately $1000-$1500 per vehicle (fitted).

At present all conversion systems are being imported, but the Leuschke, Whiteman report on liquid fuels future planning predicts that as demand increases for both CNG and LPG conversion, some or all components will be locally manufactured.

"We therefore consider that the Government should subsidise the initial production."

NBR BUSINESS WEEK

DFC reviews its non-export industry role

by Peter V O'Brien

THE Development Finance Corporation is re-evaluating its role in providing medium-term equipment finance to the contracting and similar non-export industries.

Corporation general manager John Hunn said last week that it was the DFC's role to "plug gaps" in the financial system. He thought that the gap in this area may now be closed.

Hunn was replying to NBR questions regarding the DFC's activities in financing plant and equipment for firms not involved in the export business.

The DFC has been contacting contractors and similar organisations in the Waikato — Bay of Plenty regions, after assessing the status of suitable borrowers, and offering them attractive terms for financing new and second hand vehicles and plant.

NBR understands that the rates are 8.5 per cent flat on new vehicles and equipment, for a term of five years, and that the DFC will finance up to 90 per cent of the cost of new equipment. The terms for used vehicles and plant are understood to range between 9 and 10.5 per cent flat, for a term of 5 years, with finance being available for up to 85 per cent of valuation or cost.

The repayment term for new vehicles can be extended to 6 or 7 years, while the interest rate of 8.5 per cent flat may be cut if the item is used for export, fishing, mining or forestry. It is also understood that four people are "on the road" in the Waikato area.

Other financial institutions have been told that the private credit expansion guideline of between 8 and 12 per cent (effectively an expansion of 1 per cent a month) set for this financial year must be adhered to, or other action will be taken. The "other action" would probably be an increase in the Government stock ratios on finance companies and other financial groups.

The DFC does not come within the credit expansion guideline. Hunn said the exclusion of the corporation from the guideline was another reason for taking a further look at present policy in financing plant and vehicles. The policy may be changed.

He said that the DFC was conscious of the need to control credit expansion. Explaining the DFC's entry into this section of finance market, Hunn said it went back to 1975.

At that time there was a shortage of credit for people engaged in the contracting industry, and other areas which finance plant and equipment on medium term instalment credit. The DFC stepped in to fill the gap, by providing funds for purchase of equipment in appropriate cases.

It was not the corporation's intention to compete with private sector finance companies in their traditional business if the latter were able to meet the demand, he said. In addition, the DFC did not undercut the market.


JOHN HUNN . . . not in competition.

From Hunn's comments, it seems that the corporation sees its role as complementary to the private sector organisations, rather than as a direct competitor.

The finance industry has viewed the DFC's activities in term finance with a sceptical eye for some time, particularly as the industry is subject to constraints which are inapplicable to the corporation.

Whether Hunn's reassurances will change that attitude remains to be seen.

The industry has been concerned at the level of advances offered in relation to the cost price of equipment. Most term loans for plant and equipment have an upper limit of about 80 per cent of cost price, although there can be special cases where a finance company would go beyond that level.

The DFC describes itself as an "industrial development bank", a term which is commonly applied overseas to similar organisations. Its growth in recent years has been strong, particularly in financing export business, and in raising substantial sums both in New Zealand and overseas.

It was the first financial organisation to resurrect bearer-notes, and recently received a top credit rating from overseas financiers in the United States commercial paper market.

The Corporation is now involved in arranging bid and performance bond guarantees for New Zealand contractors tendering for work outside the country, particularly in Asia and the Pacific.

At June 30, 1978, the corporation's total gross assets were $267.2 million, compared with $210.4 million in 1977. This year total assets seem likely to go above the $300 million level, putting the DFC well ahead of any finance company.

The 10 members of the New Zealand Finance Houses Association had total assets worth $836.7 million at March 1978 (the 1979 report of the Association will be available soon), so the DFC's assets represent a sizeable proportion of the major companies' involvement in the finance industry. In terms of shareholders' funds, the DFC in 1978 had a high gearing, if "subordinated advances" from the Government are excluded.

Shareholders' funds totalled $15.1 million, but it is more realistic from a gearing point of view to include the subordinated advances to obtain a true relationship with total assets. Subordinated advances rank behind all other securities issued by the corporation, and therefore are shown in the balance sheet as advances from shareholders. A gearing, including the advances, of about 1 to 5 compares with the 1 to 8 shown in the combined balance sheets of the Association's members.

The DFC is big business in the New Zealand finance scene, and its size tends to give the finance companies nervous twitches.

Analysing annual accounts

by Peter V O'Brien

THE Selby Shoe Co Ltd was criticised in this column last week for producing an inadequate annual report by "generally accepted standards".

The report of Suckling Industries Ltd shows that relatively small organisations (and those in the footwear industry) can present reports which tell the shareholders and other readers the appropriate facts about the business, without involving themselves in expenditure which is excessive in relation to their size.

Suckling lets the reader know that group turnover for the year was $9.4 million, and that this sum was reduced to $2,571,948 after removal of the cost of sales. The company then shows that the deduction of other expenses, (including $1,555,611 for "other administration and distribution expenses") cut pre-tax profit back to $737,249. Provision for taxes of $327,832 resulted in a net profit of $409,417, as against $285,957 in the previous year.

The figures show that the company earned 4.34 per cent on turnover, which brings the increase in net profit into perspective. In 1978 (a 14 months "year") Suckling had to provide for $56,600 of pre-acquisition profits, relating to the takeover of the Norvic group. Net profit before that allowance was $342,557, so the increase in profitability in the latest year was less than would have been the case without the technical accounting convention.

Release of the administration and distribution expenses allows readers to see that the company is operating more efficiently after the merger than it did before. Those costs were $1,861,791 in the 1978 year, and $1,555,611 in the 12 months to March, 1979.

Instead of leaving the shareholders to interpret what happened (and at least they have the figures, a concession which other companies refuse to make), the directors refer to the change in their report.

"The past year received the full benefit of substantial overhead savings implemented during the previous trading period when our factories were adjusting to a lower level of demand. Costs were generally well contained but the constant increases in many items, particularly energy charges and interest rates, are disturbing all manufacturers."

The directors make only a short reference to the balance sheet, but it allows the reader to see why the figures altered in the year.

"Shareholders will note that an opportunity was taken during the year to reduce long-term indebtedness and the higher level of stock and sundry debtors reflect the greater business activity at balance date compared with a year ago."

The directors also refer to the "bewildering increase in the price of our basic raw material — leather — in recent months . . ." Given that brief information, the balance sheet is easier to understand. Stocks were 28 per cent higher (in value) than at the previous balance date, compared with a movement of 19.2 per cent for all current assets. Without the directors' explanations, those changes would raise questions about the company's trading position.

Suckling has a strong financial structure. Group shareholders funds comprise 68.7 per cent of total assets, and the asset backing per share was $4.30 at balance date ($1 shares).

But there is some way to go before the return on those funds reaches the level considered acceptable in public companies. Suckling earned 9.5 per cent on year end shareholders funds, compared with 7.11 per cent in 1978, 10.48 per cent in 1977, 13.22 per cent in 1976 and 18.22 per cent in the "good year" of 1975.

The footwear industry has problems, as indicated in the directors report. "The group is placing strong emphasis on greater market penetration, because the combined effects of a continually falling birth-rate over the past few years and high net migration figures have resulted in a reduced domestic demand for most types of footwear". When these points are added to the extraordinary price rises for the hides and skins from which leather is made (60 per cent between late 1977 and late 1978, followed by another 60 per cent since then), the difficulties can be appreciated.

In these circumstances, and given the competitive nature of the footwear business, the return of 4.34 per cent on turnover last year was a good result. It is a pity that a company like Selby (admittedly in a slightly different field) failed to produce similar figures to allow a comparison between companies in the industry (broadly speaking).

The Suckling report is not "perfection", but the disclosure is relevant to the points made here last week.

A company has no need to engage in expensive presentation to explain to readers of its report what happened in the year under review, the present state of the business, and what may happen in future. Suckling meets those criteria in 12 pages, which include a summary of the activities in five companies or divisions, a five year comparative review, and three pages of notes to the accounts The group can probably do better, but at least it provides considerably more than the bare minimum of information required by the Companies Act. That is what company reporting is about; that is what financial disclosure is about. Suckling's directors' report is less than one page, but it contains the relevant information. Statements of turnover and expenses (production expenses can be assessed by deducting trading profit from turnover, although a formal statement would be desirable) do more than several pages of text in companies where the figures are missing.

Exchange rates

As at 7 June 1979 $1NZ is worth:

Australia	.9432
Britain	.5016
Canada	1.2228
Fiji	.8683
Japan	226.98
West Germany	1.9765
USA	1.0388
Austria	14.62
Belgium	31.82
China	1.6349
Denmark	5.7119
France	4.5783
Greece	38.25
Hong Kong	5.3073
India	8.3569
Italy	882.49
Malaysia	2.2986
Netherlands	2.1688
New Caledonia & Tahiti	83.25
Norway	5.3634
Pakistan	10.19
Papua-New Guinea	ON APPLICATION
Portugal	51.61
Singapore	2.2775
South Africa	.8731
Spain	68.34
Sri Lanka	ON APPLICATION
Sweden	4.5300
Switzerland	1.7913
Western Samoa	1.9765

Selling rates supplied by CBA Bank.

Migration analysis dispels milk and honey myth

by Peter V O'Brien

THE Department of Statistics' detailed analysis of migration statistics for the year to March, 1979 should dispose of the myth that the country has no problem with the outflow of people.

The analysis includes breakdowns of the total figures by age groups, occupations, and nationalities.

The age group dissection discloses a trend which is possibly more serious than the loss of skilled occupations. It shows that the outward movement is more than youth seeking overseas experience before coming back to New Zealand and "settling down".

While the largest loss to migration was in the 20 to 24 age group (a net loss of 12,684, compared with 10,540 in the previous year), the older age groups show a much higher rate of increase.

In the year to March there was a net long-term loss of 5632 people in the 30 to 39 age group, as against 2848 in the previous year. That is hardly youth going overseas for a fling before settling down. On the basis of general population figures, it can be assumed that most of those people were married, and the decision to go is harder for them than in the 20s age group.

In NBR of May 2, I said we were seeing the phenomenon of people in their 40s (and sometimes older) departing for other places. That comment was based on many known cases, although the migration statistics being discussed in that article related to the February year, and lacked the detailed breakdown now available for the March year.

NEW ZEALAND . . . goodbye forever.

The latest information confirms that view. There was a net loss of 2404 in the 40 to 49 group, compared with 1376 in 1977-78. In the 50 to 59 age group the net loss was 1384. That age group accounted for a net loss of 548 in 1977-78.

The trend even affected the 60 plus group. A net gain of 120 people changed to a net loss of 423. Perhaps the country is losing its attraction even as a place in which to retire.

When the occupational classes are considered in terms of percentage changes, the growth factor become apparent. In its statement the Department says:

"Permanent and Long-term departures from New Zealand during the year ended March 1979, were at a significantly higher level than in 1978 in all occupational Divisions.

"The number of professional, technical and related workers division departures increased by 3796, or by 39 per cent. Administrative and managerial workers division departures increased by 748 or 64 per cent above the 1978 level. Smaller increases were recorded in the clerical and related workers division (up 1164 or 13 per cent), the service workers division (up 640 or 21 per cent) the agricultural, animal husbandry and forest workers, fishermen and hunters (up 388 or 25 per cent) and the production and related workers, transport equipment operators and labourers division (up 2408 or 17 per cent). The smallest increase was recorded in the sales workers division which showed an increase of 6 per cent over the 1978 level".

But, buried in the figures, there is at least one small hope, and an interesting one. The table of migration by nationality shows that, apart from the Cook Islands, Fiji, and Western Samoa, Australians provided us with a net gain.

"Permanent and long-term arrivals from Australia totalled 5344 while departures in that classification were 5000. We obtained 344 more Australians than we lost. By comparison, 21,532 New Zealanders arrived while 58,956 departed, for a net loss of 37,424.

One could draw the spurious conclusion that a long-term continuation of the trend will make New Zealand an Australian State by default within the next century! But the number of New Zealanders going to Australia may let us take over our neighbour. A net inflow of long term or permanent migrants from the Pacific is understandable, because New Zealand may still be the desirable alternative, in spite of our unemployment and general economic problems. The Islands' figures might also include a sizeable number of students, who would be classified as long-term arrivals.

It is probably a fair assessment not to read too much into the outflow of the 20 to 24 age group, and also of the 25 to 29 group (a net loss of 5600 in that section, compared with 3792 in the previous year). In difficult times the general mobility of those people probably reaches a peak. Arrivals were still ahead of 1978 figures in both age groups, although well below departures.

But from 30 onward the trend cannot be ignored. A decision to move when one has various responsibilities can be difficult, but a later decision to return after, say, three years or so away, is also difficult. Time begins to run out in terms of resettling, job opportunities, and generally becoming "part of the scenery" again.

There is certainly a problem in the figures, but a solution is apparently just as far away as ever.

Investors take PhD's in maths to exploit export concessions

by Peter V O'Brien

THE Government's stated intention to find an alternative system to the present mix of export incentives should find concrete expression in the Budget. Whether the scheme will assist equity investment remains to be seen, because the sharemarket will also react to the totality of policy included in the document.

At present, exporters receive taxation concessions based on the increase in dollar value of exports, related to a base year. The system has produced anomalies in some industries. The main problem is the cost of overseas exchange incurred to obtain overseas sales. If export concessions are based on the straight dollar value of goods sent overseas a situation can arise where a small domestic content in an item attracts a substantial tax saving, which in turn boosts net profit beyond the level of the domestic content in the goods.

For this reason, the Government (through its officials working in conjunction with manufacturers) has looked at the "added value" and "domestic content" concepts for setting export concessions.

In broad outline, the schemes involve a classification of product groups in relation to the level of domestic raw materials plus labour used in processing. The first attempt to classify industrial production in this manner ran into trouble for several reasons, not least the complexity of the classification. Officials and manufacturers were sent back to their calculators with a view to producing an equitable system, which could be implemented without creating a new outlet for PhD's in mathematics.

If the Budget includes an outline of changes to the present incentives, it is likely to do away with the base period, and also include a phasing in period when the existing concessions will operate alongside the new scheme. Removing the base period has merit, because relating present exports to a period some years ago overlooks the effects of inflation on dollar values. Volume exports may be static over the period, but an increase in dollar value shows up in a higher dollar concession.

A phasing in period is necessary to overcome problems which can arise if manufacturers have made commitments on the understanding that the tax laws will remain unchanged in the reasonably foreseeable future.

A decision to invest in plant and machinery involves calculations of the plant's useful life in relation to production. Those calculations in turn require an assessment of taxation benefits or liabilities. Consequently, a sudden change to tax law on exports can affect company profitability, and result in a situation where the change defeats its purpose.

Investors in equities have been looking at exporters for some time and placed their funds in companies which can grow faster than those involved solely in the domestic market.

Company executives, operating from the other side of the fence, have sought diversification into areas which offer scope for exports, thus reducing their reliance on the local market, and improving profitability returns.

The key element in both approaches lies in the expression "indigenous raw materials". If companies are producing goods, including the packaging, from materials which are found in New Zealand they will benefit most from a change to domestic content concepts. The food industry is an example, although there are distinctions between companies even in that section of manufacturing.

One company may require chemicals or other materials which have to be imported while another may obtain all its inputs, excluding machinery, from New Zealand. (Machinery and other fixed assets tend to be excluded from systems based on domestic content, for two reasons. First, the calculations become complex, and second, imported and locally produced machinery and other fixed assets tend to cancel each other out across industry. The wooden element in a factory building may be obtained locally, but the machinery to shape it has to be at least partly imported, leading to such complications that it is better to ignore these items.)

A comment at a recent Lion Breweries press conference illustrates the beneficial effects on some companies under the possible new export tax concession system. Beer exports have a *high level* of indigenous raw materials. Even the glass, labels, and packages are made locally. Therefore beer rates high on a scale of local content.

The sharemarket in the next year is likely to see greater attention to companies exporting goods made from local raw materials, and a move away from organisations which are either producing solely for the local market, or with a high imported content in their output. In view of comments that companies will benefit if they export and be penalised if they do not, there will probably be other policies to reinforce the investors' switch. Food, timber, animal by-product processors, ceramics, and glass, agricultural equipment (assuming a low imported metal content relative to final value), and some woollen goods are good examples of products which should do well under a domestic scheme.

But it is often overlooked that most manufactured exports already have a high domestic content. The average is believed to be in the vicinity of about 70 per cent, while a high proportion is between 60 per cent and 80 per cent.

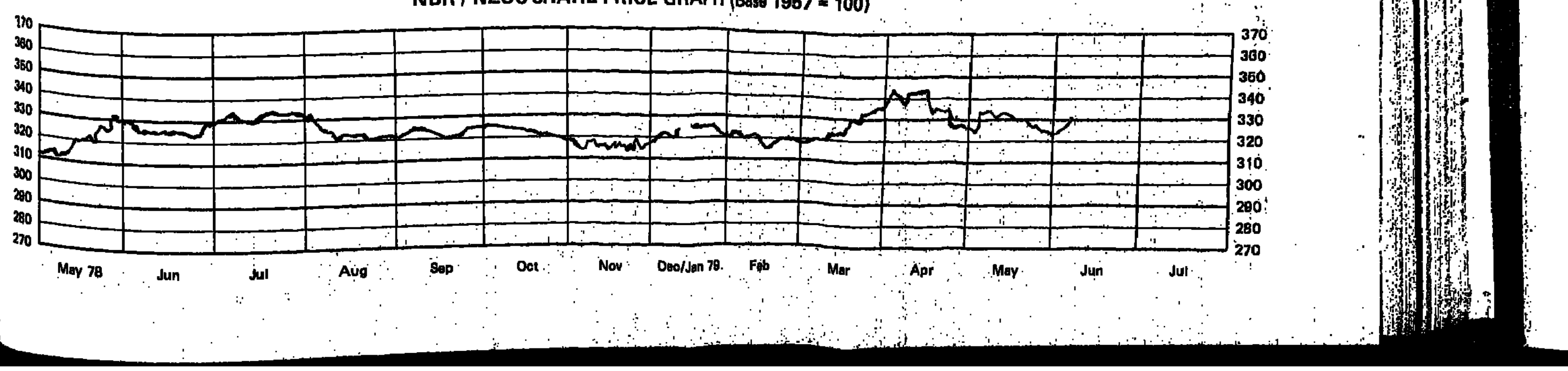
Changes are coming to the export scene, through the concession system. Investors and their advisers will be involved in more homework to obtain the full benefits of the change.

NBR SHAREMARKET SURVEY

WEEK ENDING JUNE 7, 1979

1979 High	1979 Low	Company	Last Sale	Week's High	Week's Low	Dividend %	Reported Turnover	Dividend Yield	P-E Ratio
108	100	AIRWORK,50C	105	...	...	12.0	0	5.7	4.2
215	190	AJAX G.K.N.	210	215	210	13.0	1100	6.2	4.2
118	90	A.J.WHITE	110	...	...	11.5	0	10.5	4.8
150	110	ALCAN,50C	113	113	113	20.0	3400	8.8	3.9
255	230	A.H.I.	240	242	210	14.0	6300	5.8	5.5
76	65	ALLIANCE,50C	65	66	65	14.0	12500	10.8	3.4
260	230	ALLIED FARMERS	240	240	230	14.0	11100	5.8	5.3
130	124	ALLIED PRESS	125	...	...	11.0	0	[illegible]	5.4
228	220	ALLOY STEEL	220	...	...	15.0	0	6.8	8.7
212	185	A.H.BISLEY, 50C	195	...	...	25.0	0	6.4	5.4
96	85	AMPOL PET.,50C	85	...	...	11.0	0	6.5	13.3
145	125	A.BEAVEN	130	132	130	12.0	2600	9.2	5.5
125	110	A SPRINGHALL	110	110	110	14.0	2600	12.7	3.6
260	260	A.WRIGHT	240	...	...	17.0	0	6.5	3.2
245	190	A.BARNETT	240	240	240	14.0	200	5.8	3.8
150	125	A.ELLIS	125	125	125	12.0	600	9.6	3.8
316	287	ARTHUR YATES	305	305	305	17.0	1000	5.6	5.5
315	290	ASHBY BERGH	290	290	290	22.5	500	7.8	4.9
261	203	A.S.PATERSON	250	250	250	15.0	4800	6.0	6.3
215	175	A.B.CABLES	215	215	215	16.5	100	7.7	5.5
60	49	ATLAS, 50C	52	53	52	10.5	5100	10.1	3.1
366	360	AUCK.GAS	360	360	360	12.5	1300	3.5	8.3
225	190	AURORA,50C	190	190	190	21.0	2600	5.5	10.2
		A.C.I.	198	...	...	9.0	0	4.5	7.0
96	75	AUTOCRAT HOLDS	75	75	75	8.7	18000	11.6	4.1
79	50	BAILLIE,50C	79	79	79	11.0	9000	7.0	8.9
82	72	BALLINS,50C	79	79	79	12.5	2600	7.9	5.2
465	400	BANK N.S.W.,$2	465	465	465	16.0	2300	6.9	6.7
82	53	BEACH PETR.,50C	53	...	...	...	0	...	...
85	63	BING HARRIS, 50C	82	85	79	11.5	27600	7.0	5.2
185	165	B.N.Z. FINANCE	170	170	170	12.5	900	7.4	8.4
56	42	BRAMBLES BURNETT,50C	45	45	45	12.0	5500	13.3	3.1
56	50	BRIDGEVALE,50C	56	...	...	6.0	0	5.4	6.2
240	201	BRIERLEY, 50C	230	230	225	24.0	11000	5.2	5.3
77	65	BOS, 50C	72	...	...	16.0	0	11.1	6.7
61	56	BROADLANDS,50C	56	57	56	14.0	34000	12.5	3.9
1160	1120	B.H.P.,$2	1140	1160	1140	16.2	2300	2.8	30.9
95	95	BROTHER, 50C	95	...	...	20.0	0	10.5	4.3
65	60	BUNTING,50C	62	62	62	11.0	14300	8.9	8.6
158	150	BURKES CAT.,50C	152	...	...	22.5	0	7.4	5.3
148	126	C.B.D.	138	138	130	14.0	4000	10.1	3.8
195	170	C.F.C.A.	180	180	180	15.0	5000	8.3	5.9
180	130	C.F.M.	170	...	...	14.0	0	8.2	4.0
150	145	CANT.FLOUR	150	...	...	15.0	0	10.0	6.2
188	160	CANT.TIMBER	185	185	185	...	11300	...	...
290	160	CAPITAL RADIO,50C	280	285	278	...	2600	...	80.0
58	53	CAPITAL LIFE,50C	55	55	55	10.0	300	9.1	9.8
316	230	CARBONIC ICE	230	230	230	14.0	600	6.1	4.5
225	208	CARTER HOLT	218	218	216	15.0	16600	6.9	4.5
188	155	CERAMCO	170	170	170	14.0	21900	8.2	5.0
216	180	CHALLENGE	204	204	203	12.5	7600	6.1	5.5
105	85	CHENERY	95	95	95	10.0	100	10.5	3.5
150	115	CH'CH.GAS	150	150	145	2.5	1500	1.7	6.1
240	220	CH'CH PRESS	240	...	...	14.0	0	5.4	12.2
35	28	CITY REALTIES,10C	32	...	...	14.0	0	4.4	18.8
150	80	CLASSIC FASHIONS,50C	85	85	85	15.0	2800	8.8	3.3
95	85	CLYDE ENG.	87	87	86	16.0	1700	18.4	6.4
210	148	COL.MOTOR	210	...	...	13.0	0	6.2	4.7
150	122	COLTER WATSON	136	136	136	...	3000	...	...
350	280	COMALCO,50C	350	350	335	25.0	3400	3.6	13.2
126	105	COMMAND	105	105	105	12.5	9100	6.0	3.7
		COM.BANK AUST	320	...	...	16.0	0	5.0	6.3
175	140	CON.METAL,50C	155	155	155	16.0	2900	5.2	6.2
7	3	CON.SILVER, 4C	3	...	...	...	0	...	...
250	160	COOKS WINE	210	210	200	6.0	2300	2.9	6.3
153	96	COPY-WRIGHT	100	100	100	11.0	900	11.0	3.9
240	208	CROWN CONSOLIDATED	210	210	206	15.0	6100	7.1	6.0
496	404	C.S.R	490	490	490	15.0	1200	3.1	14.0
112	80	CYCLONE,50C	110	110	110	12.0	3200	5.5	4.1
250	195	DALGETY(N.Z)	198	198	198	12.5	4500	6.3	9.1
53	41	DALHOFF & KING,50C	50	50	50	12.0	2600	12.0	4.8
295	249	DRAKES	280	290	280	12.0	10700	4.3	4.5
155	135	D.I.C	135	135	135	12.5	900	9.3	11.1
170	165	DINGWALL & PAULGER	160	160	160	...	2700	...	...
140	90	D.MCL WALLACE,50C	135	135	122	11.0	16600	4.1	7.0
93	70	D.I.B.4	70	70	70	8.5	1400	12.1	23.3
108	90	DOM.BREW.,50C	97	97	95	17.0	138000	8.8	6.9
285	250	DONAGHYS	260	268	260	15.0	2100	5.8	4.9
266	235	DONALD REID OTAGO FARMER	240	240	240	16.0	1000	6.7	6.8
91	82	D.B.G.,50C	83	...	...	13.5	0	8.1	4.7
235	114	DUNLOP (AUST)	235	...	...	10.0	0	4.3	12.9
255	200	DUNLOP (NZ)	225	225	220	20.0	4200	8.9	3.0
110	102	EBBETT	105	...	...	12.0	0	11.4	5.2
95	78	EDOS,50C	92	92	92	12.5	1500	6.8	5.8
116	125	EINSTEIN,50C	130	130	130	19.0	300	6.9	2.8
71	71	EMPEROR MINES,10C	71	...	...	...	0	...	1.8
		EQUIT.BLDG	107	...	...	12.5	0	11.7	8.8
293	185	E.ADAMS	195	195	195	12.0	900	6.2	5.8
114	90	F.T.C.,50C	91	91	90	15.0	34600	8.2	5.1
70	65	F.WAIMAK,50C	65	65	65	12.5	1100	9.6	4.4
109	97	FELTEX,50C	99	99	98	17.0	61000	8.6	7.3
135	118	FIRESTONE NZ	123	125	123	...	1200	...	4.7
276	198	FLETCHER	273	274	270	18.0	16300	8.1	4.7
145	120	FOUNTAIN CORP	130	130	130	9.0	100	6.9	4.5
113	95	FREIGHTWAYS, 50C	100	100	100	16.0	1000	8.0	5.0
156	125	GEAR	125	125	125	5.0	5200	4.0	12.1
144	130	GEN.FINANCE	130	130	130	12.0	1000	9.2	5.6
129	95	G.COURT	95	...	...	11.0	0	11.6	5.5
		GIANT	78	...	...	17.0	0	21.8	2.9
275	261	G.J.COLES,50C	261	...	...	24.0	0	4.6	11.3
56	45	GOLDEN DAY,50C	49	49	48	12.0	13100	12.2	5.5
35	29	GROSVENOR PROPR, 25C	35	...	...	8.0	0	5.7	14.6
248	195	HALLENSTEIN	210	210	210	16.0	3800	7.6	4.3
167	160	HARLEY	165	...	...	11.5	0	7.0	7.0
225	190	HAURAKI ENTERPRISES	200	210	200	30.0	9000	.9	90.9
82	62	HAWKINS,50C	70	70	65	18.0	9000	12.9	1.8
97	75	HAYWRIGHTS	90	90	90	5.0	6700	5.6	37.5
212	160	H.B. FARMERS	180	180	180	...	300	...	5.0
355	265	HEALING	340	345	340	16.0	2000	4.7	6.2
196	142	H.POLLARD	190	190	183	12.5	2200	6.6	7.5
156	148	HENRY BERRY	148	150	148	18.0	500	12.2	2.8
241	230	HODDER & TOLLEY	250	...	...	17.0	0	6.8	5.2
		HOOKER,50C	73	...	...	13.0	0	8.9	6.5
155	154	I.C.I.(AUST)	155	...	...	16.0	0	10.3	4.0
161	106	I.C.I.(NZ)	160	160	160	14.0	6700	8.8	5.1
215	185	IND BROADCASTING	205	...	...	11.0	0	5.4	9.6
136	123	INDEPENDENT NEWS	125	125	125	13.0	800	10.4	6.9
186	165	IND.CHEM,50C	160	160	160	14.5	1200	4.5	7.7
159	118	J.W.DOW,50C	126	126	126	16.5	700	6.5	4.0
275	170	JAMES AVIATION	190	195	190	13.8	1700	7.3	2.7
155	85	JAMES SMITH 50C	100	...	...	16.0	0	8.0	5.5
241	210	J.E. WATSON	240	240	240	16.0	1000	6.7	5.5
243	138	J.BURNS	232	232	230	12.5	1200	5.4	116.0
195	150	JOHN EDMOND	155	155	155	14.0	1700	9.0	3.4
72	59	J.WEBSTER 50C	68	68	68	16.0	600	11.8	5.9
145	115	J.NATHAN	130	...	...	12.0	0	9.2	4.6
190	170	J.RATTRAY	190	...	...	12.0	0	6.3	4.7
210	210	KEARNS-OATINA	210	...	...	3.0	0	1.4	25.3
89	67	L.W.RUDKIN,50C	73	73	72	14.0	2500	9.6	3.2
60	45	LANES,50C	55	...	...	10.0	0	9.1	8.7
212	180	L.D.NATHAN	190	204	190	14.0	21500	7.4	4.4
95	75	LEYLAND,50C	80	80	79	15.0	17500	9.4	9.4
80	71	LION	80	80	78	15.0	40700	9.4	7.9
35	15	L.&M.OIL,50C	27	27	22	...	26700	...	00.0
255	255	LUSTEROID	255	...	...	21.0	0	8.2	4.0
125	112	MAINZEAL CORP,50C	125	...	...	16.0	0	6.4	4.9
205	165	MAIR,50C	195	195	185	25.0	5900	6.4	4.9
120	100	MANAWATU,50C	120	...	...	16.0	0	6.7	6.4
175	155	MANTHEL	175	175	175	10.0	100	5.7	3.6
190	170	MARAC	180	180	170	15.0	5100	8.3	6.3
140	112	MCALPINE,50C	112	112	112	15.0	2400	6.7	2.5
166	145	MCKECHNIE	159	159	158	12.0	1100	7.5	5.0
70	61	MCKENZIES,50C	62	62	62	11.0	2900	8.9	5.7
		MED.SUPPLIES	235	...	...	12.5	0	5.3	3.4
160	125	MIDLAND	140	140	140	12.0	100	8.6	6.0
25	12	MIN.RESOURCES,20C	20	20	17	...	3000	...	16.7
72	55	M.O'BRIEN,50C	69	...	...	10.0	0	7.2	5.5
135	113	MONTANA,50C	113	120	113	6.5	7700	2.9	6.5
380	130	M-P.I.M.	150	...	...	12.5	0	8.3	3.7
140	125	MORGIEL	133	133	132	13.0	1300	9.8	5.5
61	50	MOTOR HOLDS.,50C	60	60	60	11.0	6300	9.2	5.0
90	75	MOTOR TRAD.,50C	82	82	82	14.0	3200	8.5	54.7
119	100	MSI CORPN,50C	113	113	113	17.0	20500	7.5	6.3
265	150	MT.COOK	155	155	155	13.0	5900	8.4	5.1
405	260	M.I.M.HOLDS.,50C	385	385	370	6.0	700	.8	34.7
200	178	NAT.INSCE	192	192	192	27.0	4100	14.1	4.5
		NAT.PICTURES,$2	172	...	...	5.5	0	6.4	15.1
125	120	NAYLOR	125	...	...	12.0	0	9.6	3.2
		NCF KAIAPOI	115	...	...	4.0	0	3.5	4.1
57	43	NEIL HOLDINGS, 50C	46	46	45	12.0	8900	13.0	3.1
114	100	N.Z.CEMENT	100	102	100	12.5	1800	12.5	8.3
96	81	N.Z.F.C.,50C	95	95	95	14.0	2900	7.4	6.4
192	175	N.Z.FARM FERT.	175	175	175	13.0	3800	7.4	5.8
248	200	N.Z.F.P.	226	226	223	15.0	52800	6.6	7.8
325	238	N.Z.I.G.	305	305	305	17.0	4000	5.6	7.6
253	226	N.Z.I.	238	230	226	20.0	16100	8.8	4.0
30	18	N.Z.LAND,50C	20	20	20	...	300	...	100.0
106	70	N.Z.LEATHERS	75	75	70	...	6300	...	4.4
111	70	N.Z.MOTOR BODIES	72	72	70	10.0	4800	13.9	3.6
136	108	N.Z.M.F	135	136	120	12.0	148700	8.9	4.5
180	165	N.Z.NEWS	180	180	175	16.0	1800	8.9	6.3
220	142	N.Z.PASTORAL	215	220	215	10.0	6200	4.7	14.6
35	21	N.Z.PETROL,50C	55	...	...	...	0	...	50.0
93	78	N.Z.REFINING	86	86	86	7.2	6000	8.4	5.2
182	165	N.Z.STEEL	175	175	170	11.0	9900	6.3	4.2
160	140	NZTS,50C	148	150	146	18.0	6600	6.1	6.2
370	325	N.Z.UNITED	370	...	...	20.0	0	5.4	8.3
106	100	NIVEN INDUSTRIES	105	105	103	6.0	3800	5.7	10.8
75	67	NUHAKA	75	...	...	...	0	...	...
68	50	OWENS,50C	60	60	58	13.0	83000	10.8	5.3
88	63	OPTICAL HLDGS. 50C	77	77	77	12.5	2000	8.1	5.8
150	135	PAVROC HOLDINGS	135	...	...	...	0	...	...
108	100	P.D.L.HOLDS,50C	105	105	103	13.0	3900	6.2	7.7
90	85	PERM.INVEST	85	...	...	11.5	0	13.5	7.0
112	106	PHILLIPPS & IMPEY,50C	105	105	105	17.5	1000	8.3	5.6
95	75	PRESTIGE,50C	75	75	75	15.0	11300	10.0	4.2
165	150	PRINT & PACKAGING	140	163	140	13.5	9800	8.4	5.7
380	326	PROGRESSIVE	365	370	363	11.5	4100	3.2	5.4
190	132	PROP.SECURITIES,50C	190	...	...	25.0	0	6.6	11.3
105	100	PROD.BUILDING	103	103	103	12.0	1000	11.7	5.0
90	78	PYE ELECT.,50C	78	80	78	13.0	6600	8.3	8.6
130	125	QUILL MORRIS,50C	125	...	...	14.5	0	5.9	5.7
345	230	RADIO AVON,50C	340	...	...	35.0	0	5.1	7.7
350	280	RADIO OTAGO	300	...	...	20.0	0	5.7	7.2
106	95	REGINA	95	...	...	11.0	0	11.6	2.9
225	183	R & W HELLABY	188	188	185	14.0	2700	7.4	3.3
80	71	REPCO(NZ),50C	78	78	78	12.0	2000	7.7	5.7
6	3	REPUBLIC PET.,50C	5	...	...	...	0	...	...
255	220	REVERTEX	240	250	240	14.0	200	5.6	5.1
240	230	REX CONSOL.	230	230	230	16.0	900	6.1	7.0
215	185	RHEEM,50C	200	200	200	12.0	800	3.0	6.5
262	242	RICKSTAN,50C	242	...	...	...	0	...	29.2
112	97	ROTHMANS,50C	102	102	101	15.0	33100	7.4	4.9
280	260	R.W.SAUNDERS	280	280	280	20.0	1700	7.1	3.6
275	225	SALMOND	275	275	275	14.0	200	5.1	5.9
290	210	SANFORD	250	250	250	16.0	200	6.4	4.4
135	110	SCHOFIELD	125	...	...	9.0	0	7.2	8.7
59	52	SCOTT,50C	54	54	52	12.5	4000	11.6	7.3
200	200	SELBY	200	200	200	15.0	800	7.5	4.6
255	225	SKELLERUP,50C	250	250	250	20.0	1800	4.0	4.3
120	110	SMITH, BROWN,50C	120	120	120	16.5	100	6.9	4.6
190	166	SMITH BIOLAB,50C	190	190	188	15.0	1200	3.9	6.6
145	130	SMITHS C.M.	135	135	135	12.0	15000	8.9	4.5
315	274	STH. BRITISH	280	280	276	23.5	14700	8.4	4.8
125	109	STHN. CROSS HOTEL	125	...	...	9.0	0	7.2	26.0
11	7	STHN CROSS MINS.,20C	7	8	7	...	3000	...	...
215	185	S.F.M.	195	195	195	15.0	3300	7.7	5.3
90	75	SPEDDING, 50C	78	78	75	22.0	3300	14.1	12.2
105	93	STEEL & TUBE, 50C	103	103	103	16.5	3000	8.0	5.6
155	97	SUCKLING	147	147	147	14.0	2900	9.5	5.1
185	135	TAPPENDEN	180	...	...	12.0	0	6.7	11.8
180	144	TASMAN, 50C	175	175	172	5.0	3100	1.4	16.5
125	120	TAYLORS	125	...	...	13.0	0	10.4	7.0
245	145	TELTHERM	230	...	...	17.0	0	7.6	5.4
86	75	THL GROUP,50C	81	81	80	14.0	19600	8.6	8.3
410	345	T J EDMONDS	410	410	400	17.5	850	4.3	6.3
100	80	TOLLEY	80	80	80	10.0	4300	12.5	4.5
90	72	TOUR FIJI	90	...	...	...	0	...	...
45	42	TRANS ASHBURTON, 50C	43	...	...	10.0	0	11.6	4.0
150	120	TRANS HOLDS	148	148	145	12.0	2200	8.1	6.8
115	100	TRANS (NTH. CANT.)	102	102	102	12.5	700	12.3	4.2
165	135	TRANSVISION	162	163	162	7.5	600	4.6	9.9
158	140	U.D.C.	145	145	145	12.5	2100	8.6	5.8
94	80	U.E.B.,50C	86	86	85	17.0	72400	9.9	5.9
95	95	UNITED BLDG	95	...	...	13.0	0	13.7	4.8
135	120	UNITED PUBLISHING,50C	135	135	135	18.0	2500	6.7	4.1
85	52	VACATION,50C	79	79	78	9.0	18900	5.7	6.1
150	136	WAITAKI-NZR	137	137	134	13.5	21800	9.0	3.9
300	255	WALKER&HALL	295	...	...	13.0	0	5.1	5.4
97	88	WATTIE,50C	92	94	91	15.0	57300	8.2	4.1
390	330	WGTN.GAS	390	...	...	12.0	0	3.1	8.2
115	90	WILKINS & DAVIES	115	...	...	10.5	0	9.1	8.6
172	166	W.JEFFERY	170	...	...	12.5	0	7.4	4.9
248	230	WILSON & HORTON	238	240	238	17.0	1800	7.1	5.1
135	100	WILSON DISTILLERS	133	135	133	...	1100	...	54.0
330	290	WILSON NEILL	330	330	325	15.0	1100	4.5	6.2
93	80	WINSTONE,50C	84	84	83	14.0	22700	8.3	6.0
189	115	WORTHS (AUST),50C	120	...	...	19.0	0	7.9	5.3
330	300	WORMALD	330	...	...	15.0	0	4.5	6.4
205	170	W.R.CARPENTER,50C	170	...	...	23.0	0	6.8	212.5
125	105	W.SUTHERLAND	120	125	120	...	800	...	2.2
220	220	ZEALANDIA	220	...	...	10.0	0	9.1	13.6

NBR / NZUC SHARE PRICE GRAPH (Base 1957 = 100)



Planners prescribe diet for obese welfare state

by Alan Levett

THE Planning Council's proposals for social policy in the 1980s are nicely timed to catch a prevailing mood of scepticism about state spending.

The central intentions of the proposals are economic: To save money and to help get the country back into a pattern of economic growth.

New Zealand's welfare state always had the two focal points economy and social justice. In this report the Planning Council gives most emphasis to the first. It concentrates more on saving money than promoting activity that might lead to growth. *There are few Keynesian underpinnings to its thinking.*

The fat will be trimmed from those parts of the distorted obese welfare state that have grown out of proportion and do not function to keep the body producing:

- an engorged central bureaucracy;
- expensive high technology medicine that has not resulted in overall improvements in health;
- a lop-sided education system that gives most to ineffecient universities where fat cat kids are concentrated;
- the costly National Superannuation scheme which encourages able-bodied people not to work.

The package has a logic and a coherence that makes it vastly superior to the costly grab-bag of goodies which the political parties trundle out in election years.

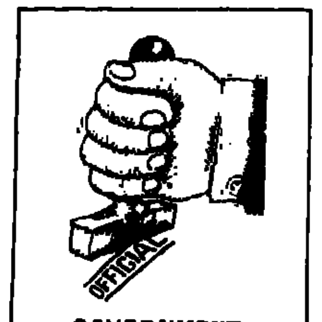
The welfare state in New Zealand is in tatters largely because it is a political pork barrel. *It has grown irrationally in response to the pressures of the powerful.* It serves neither the economic goal nor the social justice ideal.

The Planning Council has begun a long overdue public debate on the nature and future of the welfare state in New Zealand. It is just a beginning and has two major deficiencies. It does not sufficiently consider the question of social justice and it lacks a mechanism for the continuous evaluation of objectives in relation to expenditure. Nevertheless, it is a major contribution.

In the early 1970s, an opportunity to assess the welfare state was missed when the Royal Commission on Social Security was provided with too narrow terms of reference. Also the many excellent submissions, including Bill Sutch's wide-ranging book, The Responsible Society, not facing the pressure of rising expenditure that exists at present, did not sufficiently question basic concepts.

Since then, voluntary groups have been experimenting with approaches to community in New Zealand, posing basic challenges to the prevailing orthodoxy covering health and education, welfare and social control.

Social services have been likened to a trap — a heavy Government expenditure trap — where the more we spend,



GOVERNMENT ADMINISTRATION

the less value we obtain for the money and the more we think we have to spend.

Despite ever increasing Government expenditure, people had begun to notice the growing inequality and the continued increase in the rates of social distress. Past solutions, still in existence in spite of no evident effectiveness, were part of the modern problem.

The Planning Council has tapped into this mine of creative thinking and experiment and brought the ideas to the surface together. In so doing, it has added one basic tool that is essential for public analysis and debate.

This is a time series on Government expenditure that runs for nearly 30 years from 1950 when the founding fathers of New Zealand's modern welfare state, in the first Labour Government, were retired from office.

Up to now, we have been working in the dark with no long-term look at where we were going, just adding bits each year in piecemeal fashion.

The analysis shows social services spending grew steadily during the 1959s, 1960s and early 1970s and then took a dramatic leap upward with the introduction of National Superannuation.

In the 1950s and 1960s, it was health and education spending which grew at the fastest rates. Income maintainance spending actually declined in those two decades as pensions fell behind the average weekly wage.

The Planning Council claims that we are no better off as a community even with all that increased expenditure. We do not live any longer and overall, appear no healthier. Similarly there is no evidence to show that we are better educated on average. In short, state spending on the social services has not been working.

The council is at its best, in the analysis of expenditure and in its main proposal that arises out of this: That Government should set expenditure goals and try to live within them. The council suggests that during the 1980s, Government spending overall should grow at only 2 per cent per annum compared with the present 3 per cent.

The idea of government by objectives, something like zero-budgeting, will add to last year's proposals for reform by the Auditor General. This is mechanical until related to the objectives of government spending.

Evaluation of social objectives is no easy task and the council is vague about how this will be handled. It talks about the need for good social indictators at one point, and then elsewhere refers to the need for a national framework such as an annual social budget presented in Parliament.

Both of these are sound ideas, but the council does not specify who will undertake the research. What is needed is a sufficiently strong, semi-independent social research institute that will make its findings publicly available.

There is urgent need in New Zealand to know what is happening socially. We do not know the size of the unemployed group or how it is living, we do not know why our prisons fail, or indeed how effective most of our instutions are for either social control or improvement. We do not know the rate of growth of inequality or where precisely it is touching in the population.

The special surveys that we occasionally undertake or the commissions of inquiry that are set up are one-shot, hugely expensive undertakings that do not yield systematic information. We cannot look back and see where we have been.

A social research institute will provide the necessary knowledge on a continuous basis.

It is the lack of basic information about inequality in New Zealand that prevents the Planning Council exploring the problem of social justice in the same manner in which it has analysed Government expenditure.

Three questions can be used to assess the value of the Planning Council's proposals for social policy.

- Is the argument about the need to reduce Government spending compelling? Yes. The council shows that state spending on the social services is not working and is not fair.
- Will the council's proposals improve effectiveness overall? We won't be able to tell because no mechanism is suggested that will undertake the necessary evaluation.
- Are the proposals truly preventive and likely to improve social justice and the quality of social life? This question calls for a detailed look at the specific proposals.

NBR's Economic Correspondent looks under the planners' challenge to the concept of the welfare state.—Page 23.

"Say when?"

In bad odour from boats to air fresheners

by Bob Edlin

NATIONAL Party delegates to regional conferences made a timely plea for protection from arbitrary government, for a halt to moves towards bureaucratic government, and for a reaffirmation of private enterprise principles.

"New Zealanders want the chance to express themselves free from restraint of central Government, save those restraints which guarantee their future freedom," said Dominion councillor Hamish Kynoch.

Just a fortnight earlier, the Government had hit business with a bundle of new sales taxes.

Immediately, the wave of protest from backyard boatbuilders obliged Cabinet to reconsider the matter and to rescind the 20 per cent tax on home-made boats.

Prime Minister and Minister of Finance, Rob Muldoon, conceded: "I don't think it made a lot of sense to put sales tax on the labour that a man puts into building a boat for his own use in his own backyard."

In other areas, there was confusion.

Distributors of fruit drinks and fruit juices didn't know which products were subjected to the new sales tax.

Fruit juices are exempt from the tax; fruit drinks are not. The onus is on the seller of the drinks to find out which were exempt.

That leads to the world of red tape. The composition of a drink determines if it is classed as a fruit drink or a fruit juice under the Food and Drug Regulations.

It sounds straightforward enough. But according to The Press, the general manager of *Metropolitan Milk Suppliers, A W Mahony*, checked with the Customs Department to find if his firm's fruit drinks were subject to the tax.

He said he gave the Customs officer a detailed description of the composition of the beverage; the officer told him the product was exempt from the new tax. In fact, the product is a diluted fruit juice and the price will have to be increased.

Caravans were walloped by the new tax. They might be a luxury item, ideally suited to revenue-raising for the State. But building them isn't a luxury job for staff — and redundancies have drawn a strong protest, among others, from the King Country Regional Development Council.

An Otorohonga caravan firm had laid off 55 men. And the development council asked the Minister of Regional Development to lift the 20 per cent sales tax.

Council member J McGregor said it seemed as if the council was wasting its time trying to create job opportunities in the area, when the Government could wipe out most of the achievement in a simple action.

Customs Department have found themselves in bad odour with manufacturers of air fresheners through a classification decision made necessary by the sales tax.

They decreed that air fresheners are cosmetics — which means that they lose their exemption from tax, become subject to the tax and rise 50c in price.

The decision may be appealed. If not, it will just add a bit more to the huge administration problems and costs caused by the decision to levy taxes on a wide range of household products.

Much work is involved in changing the prices on items because each has its own computer code which must be processed along with the new selling price and suggested retail price before an article can go on sale under the new price, according to the president of the Wholesale Grocery Distributors' federation, R W Thomas.

The sales tax isn't alone in causing problems in the business world.

In recent weeks, the travel industry has had its share of perplexity. Airlines received last-minute orders from the Ministry of Transport not to implement on May 1 a 7 per cent increase in fares on overseas flights. They were then obliged to refund many thousands of dollars to passengers.

Telegraphed directives and counter-directives in travel agents' files reveal the state of confusion that existed from the time a fare increase of 7 per cent was announced on April 4 till its suspension almost a month later.

International tickets worth millions of dollars were issued by travel agents in just a few days to clients anxious to beat the increase. But the industry was thrown into chaos when Air New Zealand one day sent out a directive about the increase, then amended the decision because of Ministry of Transport intervention next day, then cancelled that order the day after.

The Ministry of Transport was involved in the relaxation of stringent flight safety rules it had imposed a month earlier to try to stop a spate of light aircraft accidents. The aviation industry for a while was hampered by the hastily invoked new rules which penalised experienced and responsible fliers along with the irresponsible.

Still, as the New Zealand Herald reminded us recently, Transport has as its Minister one Colin McLachlan. And he acknowledged in December 1977 there would be anomalies in the Road User Charges Bill then being debated.

"You can't get it right from the start," he said. "Everyone knows that we could be amending it for years to come."

Not surprisingly, the bureaucracy itself becomes confused when such attitudes prevail.

And so it was when the Post Office said the carless days exemption stickers would be issued only to motorists who had obtained letters of approval from the Ministry of Energy; exemption applications should be sent directly to the ministry's carless days section. A ministry official said the Post Office would process applications and refer only those on which it had doubts to the ministry for a ruling.

Still, it's pleasing perhaps to see our businessmen are not alone in having to hassle with the problems placed before them by bureaucrats. Australian millionaire Gordon Barton has been given permission to compete with TAA and Ansett provided he uses inefficient pre-war aircraft.

Barton is chairman of IPEC Air International, which has been granted permission to fly a freight service between Sydney, Melbourne, Brisbane and Adelaide.

Transport Minister Nixon ruled that the company must not use its modern Argosy transporters. Instead, IPEC will have to fly DC3s which first flew in the 1930s.

DC3s burn Avgas, a special fuel which costs 33c a litre, and carry 3.5 tonnes of freight which takes half an hour to load. The Argosy uses Avtur fuel which costs 22c a litre. The plane lifts 12,000 tonnes and can be loaded in 10 minutes.

Bank outstrips targets in self-help aid effort

by David Robie

ONE of the most successful features of Tonga's third five-year development plan, and an example to many aid schemes in the Pacific, is the remarkable progress of a bank set up to foster small and medium-scale projects.

In less than two years of existence, the Tonga Development Bank has far outstripped its initial objectives and become a significant factor in expanding self-help.

Since it was set up in September 1977 with support from the Asian Development Bank, more than $2 million has been paid or pledged in loans for about 2500 projects ranging from tiny one-man agricultural and fishing ventures to medium-sized industries.

"Our operations have exceeded all expectations," says managing director Graham Johns, a 54-year-old Australian adviser from the ADB given the task of setting up the bank.

"We expected to have demands for around $750,000 in the first five years but we exceeded that in the first nine months."

Of loans approved last year, 95 per cent numerically were in individual amounts no greater than $1000.

Bank policy puts high priority on meeting demands of farmers and fishermen at grass-roots level of society and of small businessmen in cottage-size industry.

But loans above $1000, although small in number, totalled 62 per cent of the total for the year. And because funds are healthy the bank has been increasing the share of higher lending this year — particularly to industries creating employment, expanding exports, or improving tourist facilities.

Australia and New Zealand's new incentive schemes are contributing to the success of the TDB's role.

The bank's purpose is to foster social and economic development for Tongans. In practice this means motivating people in this South Pacific paradise, desperately poor as it is, where previously there had been little encouragement to work. And without creating a handout mentality.

"Our credit system, where borrowers must pay us back enables us to wield something of a big stick," says Johns. "The number of success stories is quite fantastic."

A villager might borrow a couple of hundred pa'anga (dollars) for a small pocket-sized venture, pay it off and then come back for $1000 to extend things. Before long he is queueing for $10,000.

One Tongan whose small manufacturing enterprise was given TDB help told me the bank was invaluable also for short-circuiting the bureaucracy.

Before the bank began operations it was possible to get loans but the procedure for getting approval was so long and tortuous that it often ruined the chance of success for the venture.

Or the applicant just lost interest.

Ventures backed by the TDB range from a $500 loan for a horse-drawn cart manufacturing business to $200,000 for a planned 24-unit joint-owned motel with a Tongan as the principal owner.

The TDB played a key role, along with New Zealand's PIDS scheme, in setting up a soccer ball manufacturing industry for exporting to New Zealand. The factory, employing 30 people, was set up with plant costing only $20,000 and is 60 per cent New Zealand-owned with the balance being Tongan (15 per cent by the TDB).

A woollen garment manufacturing industry is being planned with New Zealand help for exports to Canada and the United States. (Ventures with the bank involved as a partner are few but others are being considered where it helps to get the project off the ground).

About $150,000 has been earmarked for a biscuit-making plant and a freezer has been installed in the Ha'apai group to give a fishing industry there an all-year-round cash return.

One enterprising Tongan got a $10,000 loan to build a cinema in the Ha'apai group where there had not been a regular movie house before.

The unexpected initial success of the TDB's operations meant there was a shortage of funds at first to meet the demand.

"I was knocking on every door I could find to keep things going before our capital was given the boost it needed," recalls Johns.

"The bank was fortunate, too, in having strong borrower repayments flowing in. About $430,000 was paid back last year."

Johns puts this down to the fact that most villagers aren't interested in long-term loans. They are mainly interested in short-term development; schemes where they see a quick return.

Through various aid schemes, funding for the bank has come from Australia and New Zealand (both injecting around $300,000) and the ADB ($1.5 million) with Britain pledging about $600,000 and the European Economic Community $130,000.

Interest rates are remarkably cheap. Borrowers on short-term loans pay about 0.5 per cent and on long-term loans the rate goes up to about 8 per cent.

"We like to think of this as a multi-purpose bank. One that is extremely busy with its activities," says Johns. "Most development banks in the world have minimum limits — but we don't.

"Even the smallest project is considered by us. If a woman came to us and wanted a $50 loan to buy a sewing machine to set up a small garment cottage industry then that's fine by us," he says.

The bank also provides a good back-up advisory service in co-operation with the Government. Experts are called in to give a hand, advise and provide literature.

Johns is critical of New Zealand's restricted markets policy for many Tongan products. (Last year, New Zealand imported a mere $1.04 million worth of Tongan goods while its exports to Tonga totalled $8.3 million.)

"Take tomatoes," he says. "Tonga could supply New Zealand all the tomatoes it wants during winter if the country didn't rely on its hot house production and gave Tongan producers a fair go."

Many of the projects considered by the bank would need access to New Zealand's markets to get them off the ground as viable propositions.

Johns, who has spent 15 years in the Pacific, sees his role as something of an ADB "bank doctor."

In his recent case histories he provided a "blood transfusion" in Fiji, boosted Western Samoa's existing development plan with "food nutrition" and in Tonga it has been a "gynaecological job" — setting things up from scratch.

Big brother eyes our victuals

by Belinda Gillespie

THERE is a conspiracy afoot to persuade New Zealanders to save their souls and bodies by commiting themselves to a better diet.

Internationally, the conspiracy is being expressed in the form of "national nutrition policies."

Various countries have tried to legislate for a better diet — Norway, the United States, Britain and Australia. Others are thinking about it.

With the evidence that modern curative medicine has reached its limits in terms of returning improved health for more money, politicians and those in the health services are looking around for a cheaper, easier way to improve, or at least maintain, the health of the population.

Health Minister George Gair and his predecessors are fond of pointing out "that as individuals we have responsibility for our own life styles in order to ensure that we stay healthy."

Speaking to the doctors at their biennial conference in Christchurch, Gair warned: "This may involve an adjustment to our dietary or smoking habits and for those in sedentary occupations, an increase in the quantum of our daily exercise."

New Zealand has refrained from a grandiose food policy, having the benefit of hindsight in respect of the efforts of other countries.

In Sweden, for example, the population was urged to eat less animal fat. At the same time, a subsidy was placed on butter. Result — an increase in the consumption of butter, despite the Government media campaign warning of its health risks.

The moral is clear: money talks and is heard, but health messages fall on deaf ears.

Nevertheless, we have a Government committee — the Nutrition Advisory Committee — which for some time has been considering the matter of a nutrition policy, but will probably settle for more flexible guidelines.

Some may wonder if even these are necessary in a population which virtually lives in a giant garden flowing with food. But they are one way of responding to the various groups — dietitians, teachers, food technologists and others who wanted the previously lapsed committee to be reinstated.

While generally agreeing that we eat too much, health officials can't come up with definite suggestions about what to eat. No sooner is one attractive hypothesis set up than someone shoots it down.

Eggs, butter, sugar and white bread have all had their day as being the cause of our ills, and polyunsaturated oils, vitamin C and bran as their cure, but none has stood up to the test under the scientific spotlight.

What we are left with is a feeling of unease about food, but no clear directions.

This is compounded by increasing unsubstantiated but alarming reports of malnutrition among schoolchildren from Dunedin to Otara whose problems, some claim, could all be solved by a return to the national panacaea — school milk.

Given a facelift, flavoured, and sold in UEB-NZ Forest Products cartons as a fun drink, rather than enforced as a moral duty, reformed school milk could indeed solve some problems.

As well as helping to quell parental and teachers' fears about malnutrition, it might give a boost to the ailing milk industry and convince the Department of Trade and Industry that importing machines and materials for milk cartons is in the interests of the country's health as well as being economically viable.

But even milk has been undermined by the conspirators, both from the ranks of the medical profession and the counter-culture health movement. Children may be allergic to milk, and adults intolerant, and milk is not all it was cracked up to be.

Apart from the politicians and the public servants who wistfully see a better diet as a way of getting people to stay healthy at no cost to the state, the health foodists are the other main group getting at us.

Such is our unease about food that we fall avidly on pseudo-scientists such as a recent visitor, American "nutritionist" (a title we all have an equal right to), Bernard Jensen.

Jensen's suggestion that "natural" foods have good vibrations, "unnatural" few or none, is persuasive, if scientifically laughable.

Deep down in each of us is a primitive being who responds fiercely to the suggestion that breakfast cereals are not worth the cardboard they are packed in. Fruit and veg are laden with pesticides, robbed of vitamins, meat and poultry are packed with hormones and antibiotics, fish with mercury, white flour and sugar are trash.

We all secretly agree with Jensen's statements that "Fried food never came out of the Garden of Eden," and "You cannot improve on what God provided."

We fail to be convinced, though we are temporarily relieved to hear from bona fide scientist Magnus Pyke and others that junk food is not so junky.

As Jensen points out, food is more than more calories. Its social, religious and psychological components are just as important, and we are all in the grip of an archetypal guilt having failed to grow, grind and sacrifice our own grain to the gods of harvest.

Scientists themselves often hold scientifically indefensible ideas about food, and are among those most committed to the wholemeal, stoneground, ginseng philosophy.

Is it any wonder that the rest of us flail around between the devil and the deep blue sea; exhorted by George Gair to better our diet to reduce the internal deficit and told by the likes of Jensen that we are losing our "intuitive self-direction," becoming robots under the "influx of artificial, chemical-ridden foods," which way do we go?

Nobody knows, though they're working on it at the DSIR, at Massey, at the department of Human Nutrition at Otago, and in the Health Department.

But it's a cheerful thought, while they're legislating for breast-feeding in Papua New Guinea, that mankind through the millennia has eaten every kind of poison and seems likely to survive even the onslaught of the 15,000 packaged foods on supermarket shelves which Jensen predicts for five years time.

Information runs short

"THE basis of all sound advertisement copy is facts. Without facts, copy cannot be actively convincing. With facts, it can hardly help being convincing."

This statement might well have been made by one of today's proponents of informative advertising.

Instead, it has been quoted from "Advertisement Writing", written by an erstwhile great of English advertising, and published back in 1927.

So there is nothing new in the concept of informative advertising.

The desirability of a fact-guided approach versus the call for an image-building solution or reliance on emotional identification or use of any other indirect strategy has fueled the debate about advertising effectiveness since agencies first became professional.

But it is only in comparatively recent times that the consumer has been vocal, or has even been consulted, about advertising content.

And the advertising man is wise to listen.

A recent issue of Ogilvy & Mather's Listening Post details the result of a survey conducted for O and M by Heylen Research Centre on consumers' attitudes to the information content of advertising.

It dealt with eight product categories: carpet, cigarettes, power tools, car tyres, a new house, credit cards, colour television and camping gear.

Respondents were first asked how much information they required when buying from any of these product groups and then how much information they felt that advertising for these products contained.

The hunger for facts was greatest in the new house field and 93 per cent needed "a lot" of information. But only 30 per cent got "the right amount" or "too much" and 64 per cent received "too little" from the advertising.

As new houses are scarcely packaged products and most new house advertising is designed primarily to stimulate inquiries, it is not too difficult to understand why the information supply runs short of demand.

Where 67 per cent of consumers required a lot of information on power tools, advertising satisfied 50 per cent and 38 per cent thought they received too little.

Of the 72 per cent of people who wanted a lot of information about carpet and the 22 per cent who wanted a little, advertising left 48 per cent unsatisfied and 49 per cent with enough or more than enough information.

Colour television manufacturers seemed to go nearest to supplying what the customer asked for. With 25 per cent wanting a little and 66 per cent a lot of information, 65

ADMARK

per cent got all they wanted and 31 per cent not enough.

At the other end of the scale, cigarette advertising drew responses which probably had strong emotional derivations. Non-smokers were most likely those in the "don't buy-don't know" category which made up 39 per cent of the sample but 45 per cent didn't want any information, 11 per cent needed a little and 5 per cent a lot.

In spite of this expressed disinterest, 39 per cent thought that cigarette advertising contained too little information, 21 per cent too much and 23 per cent just the right amount.

It is interesting to speculate which of these opinions were expressed by smokers and which by non-smokers.

A further section of questions produced the result that two persons out of three read newspaper or magazine advertisements for information but of those who go hunting for facts in ads only one in three think that sufficient information is supplied.

A demographic breakout of these responses shows that the higher the level of education, the greater is the need for information. O & M rightly point out that the better-educated consumers fall into the light-viewing quintiles of TV viewers and are therefore better reached by informative advertising in print media — at least for certain product categories.

British Airways retains FCB

FOOTE, Cone and Belding's long association with BOAC, and latterly British Airways, in British and other markets throughout the world is to become a global appointment.

After an extensive review, FCB has been allocated world rights to the $30 million advertising account as from September 1.

In New Zealand, where FCB does not maintain an office, J Ilott, has handled the account over the last five years and will continue to administer advertising for this and the South Pacific regions under an affiliate arrangement with FCB.

"Although advertising throughout the world will maintain certain British airways characteristics, the airline's strategy will be to create local campaigns in each area," Pat Smith, Ilott's managing director, told Admark.

"The worldwide application of one international campaign does not provide for local marketing needs in the swiftly changing travel industry."

SPTV income zooms up

SOUTH Pacific Television's advertising income is up 44 per cent for the first quarter of this year compared with last year.

The channel's moving from strength to strength in regional retail advertising, said SPTV's sales and marketing director, Maurice Urlich.

Urlich was responding in part to recent criticism of the BCNZ's decision to make TV1 available only to network advertisers leaving the whole regional scene to SPTV.

Some regional advertisers, in particular the cinema industry and grocery manufacturers, felt this move reduced their options. And they talked about boycotting SPTV.

But Urlich said, starting in July SPTV would increase its regional ad time from 96 minutes a week to 132. SPTV would add a sixth region. Palmerston North, which would cut back the present Wellington region to a size corresponding with the Evening Post's distribution.

Transmission problems in the hilly cities of Wellington and Dunedin have led to low ratings for SPTV there, and correspondingly low advertising bookings.

But Urlich said the problem in Wellington had now been all but solved, cutting the free filler ads from 20 per cent of total ad time to zero.

In Dunedin, however, filler ads remained at about 10 per cent, he said.

Bureaucrats win praises

WE PUT on record a neat marketing job, carried out by the National Provident Fund, which otherwise might go unnoticed.

Government departments and civil servants are high on the hit list for those who want to do the hitting. And bureaucrat-bashing is the popular national sport these days. All the more reason for acknowledging a job well done by those in the target area.

The NPF pension plans are sold today on the promise that "pension payments are frequently adjusted to help cope with inflation" but this was not always so. Up to 1968, pensions purchased on the level premium scheme paid out the same amount of pension for a person's lifetime.

Just the other day, those in receipt of that kind of NPF pension received formal notification from Treasury that the amount of their four-weekly payments would be increased. Along with this came a small circular over the name of J R Gyles, superintendent of the NPF.

The notice explained that the level premium scheme had resulted in a specific pension guaranteed in respect of amount and terms but inflation had been "more than a little unkind" to such fixed income and that the superannuation purchased was of much less value than expected. The NPF board considered that contributors loyalty to the fund deserved support to overcome as much as possible the effects of inflation.

Four years ago it had been found possible to increase all pensions purchased up to March, 31, 1968, by 5 per cent — "not as much as the board would have liked to offer". Further work had shown that another increase could be made and the pension had been increased by another 10 per cent. "Again this is not much but it is hoped you will accept it as evidence that the NPF board is doing its part to help maintain the value of your superannuation." And there was hope expressed for "more frequent and even larger adjustments in the future".

The fact that the 15 per cent increase on the original basic pension rate may only be a fraction of the total inflation experienced since the superannuitant first received his NPF pension is not so important. What counts to the recipient is that a Government department which had no need to change the rules deliberately did so, and then took the opportunity to explain what it had done, why it had done it and what it still intended to do.

And the connection with marketing? This aspect of marketing used to be called "after-sale service" and was based on the philosophy that a happy customer is your best salesman. We had begun to wonder if it had been omitted from modern marketing manuals.

Zero base extends beyond incremental budget

by Graeme McNally
Senior accountancy lecturer
University of Canterbury.

HEALTH Minister George Gair told hospital boards the other day that: "If we were to conduct a careful examination of our operations to ensure they are working in an efficient and businesslike manner, I believe we might find that we could expand our services within current levels of expenditure."

This could be applied to organisations whose operations have expanded and modified without careful and systematic review of total expenditure or its allocation to specific activities.

Any expenditure review must ensure that:

- Existing activities, functions and departments are examined in terms of costs-benefits associated with possible alternative approaches.
- Cutback in total expenditure is neither arbitrary nor a 'blanket' percentage, but is concentrated in current low priority areas.

Zero base budgeting (ZBB) is an increasingly recognised concept for systematically reviewing and reducing expenditure. ZBB has the credentials for ensuring more effective and efficient use of the available funds by systematically reviewing and ranking selected departments and activities as a basis for allocating funds.

It has been applied to state-funded organisations and in companies such as Texas Instruments, Ford Motors and Xerox, to manage and control expenditure in discretionary activities including personnel, production planning, data processing, maintenance and inventory control.

Traditionally, funds are budgeted on an incremental basis with attention focused on the additional funds to be allocated to existing and new activities, and not on the more fundamental issues of whether a specific activity such as data processing is receiving inadequate funds to achieve its functions or objectives or whether personnel training and development should be substantially reduced. As an outcome, annual budget increases involve an increment for inflation added to the previous year's budget with an increment for new proposals on top.

Only occasionally are somewhat arbitrary cost reduction programmes undertaken.

This approach to budgeting can continue only if the organisation is convinced that:

- All existing departments and activities, together with the level of resources committed to them are essential for achieving their objectives or functions;
- Existing activities are, and will continue to be, effectively performed;
- New activities or proposals have a lower priority for funds than existing activities.

In rapidly changing business and economic environments these three requirements are unlikely to be met.

In contrast, ZBB does not budget funds on any previous allocation but because the manager of that activity can justify the allocation on a cost-benefit basis. That is, the activity has a high priority or makes a significant contribution to the organisation's successful operations.

ZBB is not a revolutionary concept but it extends beyond incremental budgeting by establishing a ranking that combines existing and proposed activities as possible consumers of funds, and by not using a blanket percentage to reduce expenditure across a variety of activities.

Rather, ZBB adds or deletes activities in their order of priority as the available funding changes.

ZBB does not have a role where standard costs and flexible budgets may be implemented. But it does become relevant where a limited or unclear relationship exists between the inputs (manpower, equipment, costs) and resulting outputs or benefits.

These discretionary activities are characterised by being able to be conducted at several levels of intensity or effort, each requiring a different level of funding and each producing different benefits and making different contributions.

Three sequential stages exist in operating a system of ZBB:

- Identifying those activities and departments within the organisation that are to be analysed by ZBB, that is, the decision units.
- Preparing the decision packages for each decision unit.
- Ranking decision packages in order of priority and budgeting funds to the decision units.

A decision unit is any component or activity of an organisation that will be examined by ZBB. Frequently, these units parallel the departments and cost centres identified on the organisation chart, for example, payroll, personnel development and management accounting.

However, the precise nature of the units must reflect the size and scope of the organisation and during the initial phases of implementing ZBB it is important to establish larger rather than smaller units.

Similarly, any attempts to analyse all discretionary activities and departments by ZBB should be resisted. The initial attention should be focused on activities that are critical in terms of budgeted costs, growth in costs, unsatisfactory performance or excess expenditure.

A key phase in ZBB is the orderly presentation of data for evaluating and ranking decision units. As already indicated, the activities and departments to which ZBB is applicable are usually characterised by performance on one of several possible "levels of effort", each level having its own costs and benefits.

For each "level of effort" that is identified, a decision package will be prepared. Each package will contain data on the technical and economic feasibility of performing the activity at that level of effort, the costs, benefits and resources to be committed, the consequences of not adopting the specific package and an identification of the alternative packages being considered.

If a review is being conducted of the maintenance department the following levels of effort may be identified and individual decision packages prepared.

- Undertake routine preventive maintenance on factory equipment and repairs to buildings.
- Carry out routine preventive maintenance and building repairs and major equipment overhauls.
- Provide a full range of preventive maintenance and overhaul facilities together with guidance to factory personnel on the operation of equipment to reduce maintenance costs.

Each activity or department being examined by ZBB would normally have one decision package for the "minimum acceptable level" of funding required for that activity to remain operational; the additional decision packages would represent increments to this level of effort.

An integral part of package preparation is the need for each unit to have clearly defined objectives or functions. Without this, the priority of a specific package can neither be established nor can assurance be obtained that ZBB will allocate funds to those making the greatest contribution.

The final phase in implementing ZBB is to rank all the decision packages for all decision units in decreasing order of benefit to the company. Usually the measure of benefit will be the contribution of a package.

To ensure that the aims of ZBB are achieved, an efficient system is required for ranking all packages. Because of the number of packages that may be prepared for several decision units, it is important that senior management is not inundated with decision packages.

To minimise this possibility, the managers of smaller decision units at lower levels of the organisation may be delegated the responsibility for committing funds up to a certain percentage of the previous year's budget to high priority packages originating from within their own department or activity.

Remaining funds would be committed by senior management who would review and re-rank more marginal packages that emanate from different organisational activities or departments.

When the budget level of expenditure has been determined for the current year, packages will be allocated funds in their ranked order until the budget is exhausted. Should there be subsequent decreases in the budget the ranking procedure ensures the packages with the most marginal priority will be discontinued.

The total of the funds committed to packages within a single department or activity becomes the budget for that department during the next financial year.

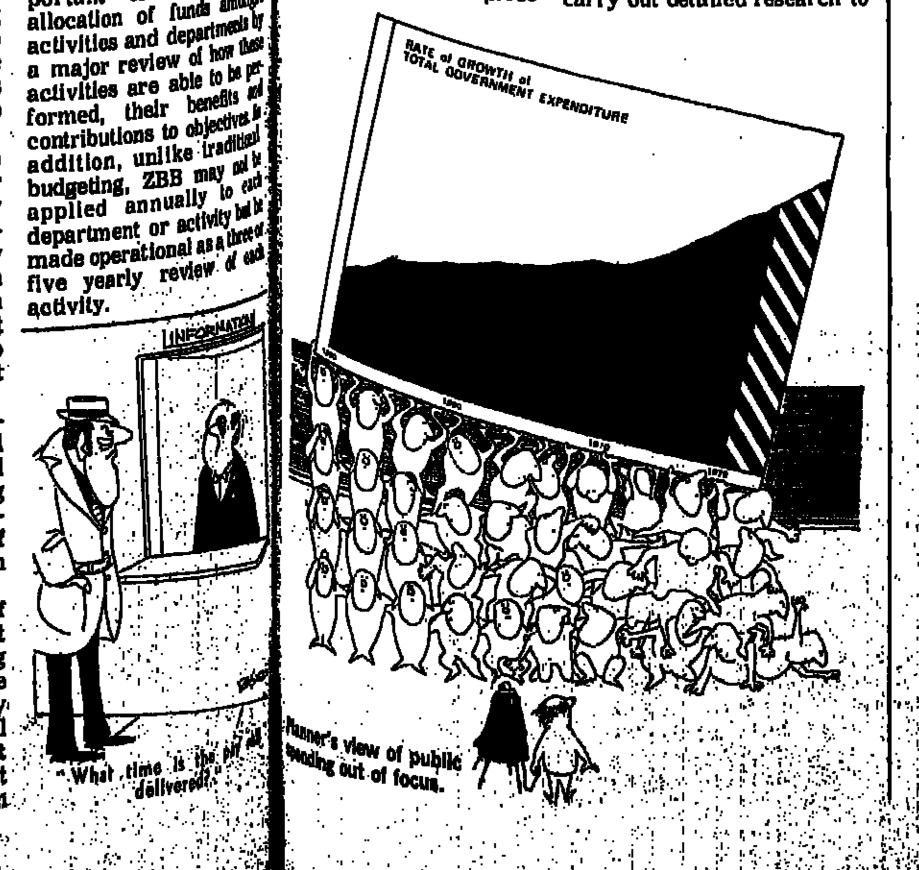
ZBB is not a revolutionary technique, but is a systematic method of planning and committing funds to a wide variety of organisational activities and departments that have defied the successful application of more traditional planning and control techniques.

The principles underlying ZBB are to identify decision activities for analysis, examine alternative levels of effort to accomplish these activities and to rank these in terms of their benefits or contribution to the objectives and functions of each activity.

Implementing these principles is not without problems including, resentment by some personnel, the additional work created and the costs involved in operating ZBB. However, there are benefits; a systematic approach for allocating funds to activities to accommodate budget reductions or to eliminate unwarranted growth in expenditure, improved communications by involving a wide range of personnel in the preparation and ranking of decision packages and opportunities to identify poorly managed activities.

Perhaps ZBB should be more aptly titled "zero base review" to recognise that it differs from the traditional processes of budgeting.

ZBB includes as an important element the re-allocation of funds amongst activities and departments by a major review of how these activities are able to be performed, their benefits and contributions to objectives. In addition, unlike traditional budgeting, ZBB may not be applied annually to each department or activity but be made operational as a three or five yearly review of each activity.

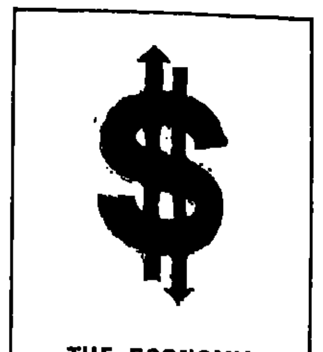


"What time is the pill delivered?"

Planner's view of public spending out of focus.

Planners challenge concept of welfare state

Economics Correspondent



CAN public policy in health, education and welfare meet adequately the aspirations of New Zealand's increasingly complex and perplexed society? The Planning Council thinks there is a growing feeling that it cannot and foresees a major debate about future directions of the welfare state looming in the 1980s. Last week the Council published two reports aimed at provoking public debate of this issue.

The twelfth Planning Council report, The Welfare State? Social Policy in the 1980s focuses on the options for social policy over the next decade. This study originated from an earlier report, Planning Perspectives, where the council said that the Government's social welfare spending commitments could cause such an overload on the economy during periods of slow growth that the private sector may not receive a large enough share of resources to function properly.

Like previous Planning Council reports, The Welfare State? is full of facts and figures which do not seem to tie together in any systematic, analytical argument. This is the first report, though, where the council daringly commits itself to specific conclusions and recommendations.

Showing great courage for a consciously political body, the council states its firm view that some reduction in National Superannuation is essential in any strategy to contain the growth of public expenditure. The council suggests that the age of eligibility for superannuation be shifted from age 60 to 61 as soon as possible and increased to 62 two years later. Some council members believe that further adjustments should be made to carry the age of universal eligibility from 62 to 65 as soon as possible.

The Welfare State? makes for occasionally interesting reading and comes up with a few novel recommendations. More technical information appears in its companion volume (Vol 12a), Public Expenditures and its Financing: 1950-1979. This contains data assembled by the Planning Council relating to the pattern of public expenditure since 1950.

Specialists in public sector budgeting will find the historical series in volume 12a valuable as the disaggregated data on capital expenditure and employment have not been published in one place before. But the most useful piece ever published by the Planning Council (and perhaps the only piece of genuine economic research) takes up five pages in Public Expenditures and its Financing to discuss concepts and measures of public expenditure. Every taxpayer will want to read these five pages because they provide a brief discussion of the various ways of analysing Government expenditures and describe sources of relevant information.

A careful reading of the council's discussion of concepts and measures of public expenditure points to a major limitation of recommendations in The Welfare State? They are premised on the view that the public sector has committed itself to expenditures which will cause it to expand too much in the future. Or in other words, the relative size of the public sector will increase at the expense of the private sector.

The council's judgment about the relative size of the public sector is based on an analysis of the proportion Government spending is of New Zealand's gross domestic production (GDP). This is not an appropriate measure of whether the public sector is increasing at the expense of the private sector. An increase in total public expenditure relative to GDP does not necessarily mean there has been a corresponding decrease in private sector final expenditure.

Gross Domestic Expenditure (GDE), not GDP, is the most appropriate economic aggregate for measuring the relative shares of the public and private sector.

And even if Government expenditure is increasing in money terms to such an extent that the value of the private sector's relative share is decreasing, the public sector has not necessarily increased its real (volume) share of national resources. While acknowledging this point, the Planning Council does not carry out detailed research to find out the real trends in public spending.

Although total public expenditure grew from around 33 per cent to 43 per cent of GDP between 1950 and 1979, the relative share of the private sector in real terms is unlikely to have declined by as much as 10 per cent (if at all). Generally it is only during war time that the public sector grows at the expense of the private sector, that is, there is a real decline in the private sector's share of national resources because they are literally taken over by the Government.

In fact, it is highly plausible that it was the contraction (rather than the expansion) in public sector growth (in real and money terms) in 1976-77 which has been responsible for any recent decline in private sector activity. Whatever the long-term merits of reducing public spending, the Government's drastic cuts during its first term led to the worst general recession since the 1930s depression.

The argument for reducing social welfare spending growth because the public sector is expanding too fast cannot be supported without further research. In appealing to a supposed "consensus in the community against continued growth in the relative size of the public sector", the council has based its judgment on predjudice rather than research.

Other recommendations for reducing Government spending put forward by the council are better supported with research. As total tax revenues depend on the level of domestic production, it makes sense to compare trends in Government revenue to GDP. Government revenue, after maintaining a constant ratio to GDP for over 20 years since 1950, has grown faster than GDP in the period since 1974. As the table shows, the increase in Government revenue has been obtained primarily by increased tax on personal income which has grown from around 10 per cent to nearly 20 per cent of GDP.

The council considers that present rates of both marginal and average tax on personal incomes have not only increased too rapidly in a period of low growth in real personal incomes, but are also at levels that are too high. This may well be a factor contributing to higher wage claims, wage increases, and hence price increases. And the Council believes that high tax rates are a potent factor in decisions by New Zealanders to live elsewhere.

GOVERNMENT REVENUE RELATIVE TO GROSS DOMESTIC PRODUCT (PERCENT)

	Average 1950-59	Average 1960-69	Average 1970-74	Average 1975-78	1979
Central government—					
Direct taxes	16.3	16.2	18.1	22.7	22.7
Indirect taxes	8.4	7.7	7.7	7.6	7.8
Local authority taxes	1.9	2.0	2.0	2.2	2.4
Net trading income	2.7	3.5	2.9	2.8	3.8
Government revenue before borrowing	29.3	29.4	30.7	35.1	36.7
of which					
Personal income tax	10.3	10.3	13.2	18.4	19.6
Company tax	4.9	5.1	4.5	3.8	2.8
Government borrowing	3.3	3.5	2.3	4.8	6.3

Social services have grown like Topsy since the 1960s. Even if it is not necessary to make drastic cutbacks, it is good planning to make sure taxpayers are getting good value for their money and that the existing services are consistent with the intentions of the welfare state.

The council's strongest argument for reducing expenditure on National Superannuation has to do with the design of a good income maintenance programme (scheme for maintaining certain income levels despite economic and other circumstances). The 1972 Royal Commission on Social Security originally recommended that the age of eligibility for national superannuation remain at 65 and that the married rate for all social security benefits be set at 80 per cent of the after tax earnings of a builder's labourer. Today's social security beneficiary earns 86 per cent of the after tax income of a builder's labourer. A national superannuitant's after tax income is larger than that earned by an on-the-job builder's labourer.

Commonsense supports the council's recommendation that all benefits be set at the same level related to the average wage after tax instead of before tax. This is one way of saving the taxpayer money while at the same time improving income maintenance schemes to reflect a consistent concept of the needs of beneficiaries.

Continental Airlines issues Air NZ with an ultimatum

by Warren Berryman

AIR New Zealand and Continental Airlines are locked in an increasingly acrimonious wrangle over air fares and landing rights. But both claim a common goal; the generation of increased tourism from the United States to New Zealand.

However, the two airlines just cannot agree on how this goal might be achieved.

Continental senior vice president Harvey Wexler argues that the American tourist market is highly price elastic and the way to win tourists is with cheaper air fares.

Continental is pushing for a country-of-origin-rate article agreement which would allow it to unilaterally determine fares out of the United States. It wants a free enterprise competitive open skies policy on the United States-New Zealand airway.

Wexler warns of a confrontation between us if New Zealand doesn't bow to Continental's demands by the fourth quarter of this year.

Air New Zealand chief executive Morrie Davis said Continental's concept of an open skies policy favoured the United States — not New Zealand. He said cheap fares might mean predatory fares. Davis said fares to New Zealand were already among the world's cheapest on a per kilometre basis. The way to boost tourism from the United States was through building up this country's resort facilities — not by lowering fares.

But, Davis said, Air New Zealand would be willing to concede to some of the American's demands — provided the Americans reciprocated with additional landing privileges and rights to fly to points beyond the United States.

The Americans, Davis said, were parsimonious to say the least when it came to providing some concessions to Air New Zealand in return for the airline's agreement to American demands.

Continental is applying further pressure on Air New Zealand. Wexler said Continental would commence a trans-Tasman service in 1980. This, they have a right to do under the existing bilateral agreement. And this service would cut into this profitable high-load factor route now shared by Air New Zealand and Qantas.

Continental has also applied to fly to Christchurch as a continuation of its Pago Pago — Auckland flight. So far Air New Zealand has blocked this move.

But the Christchurch flight would be attractive to both Continental and the South Island hotel industry. Auckland, with its shortage of hotel beds is a tourist bottleneck. Christchurch has a surplus of beds and Continental is winning the city's heart with its proposal.

Air New Zealand is up against falling profit levels due to overseas competition and also receiving an increasing amount of flak at home from a hostile tourist industry who see free enterprise rate cutting as the best means of attracting the American big spenders to New Zealand.

An increasing number of inbound tour operators are citing Air New Zealand's fares as the prime cause behind the stagnant level of tourist inflow from the United States.

The wrangle between the two airlines is yet to be resolved in the next CAB negotiations in Washington. At the moment, the conflicting attitudes seem to be hardening and a knock-down drag-out fight appears imminent.

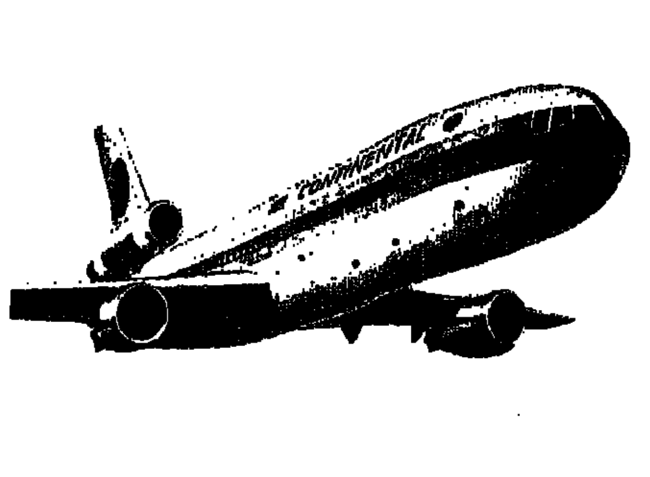
For the moment, Continental is charging the same fare set by Air New Zealand and Pan Am on the South Pacific route. Continental is not getting much traffic.

During the past days NBR interviewed both Davis and Wexler. Their views are set out below.

To a large extent Davis and Wexler personify the irreconcilable economic beliefs held by Americans and New Zealanders.

Wexler, like many Americans, just assumes that free competition is a good thing — both for business and for the consumer. In fact, the businessman's freedom to compete would be justified in the United States, not as an end in itself, but as a means towards assuring that the consumer got the best goods at the lowest possible price.

By contrast, Davis takes the frequently heard New Zealand stance, that private enterprise might be a good thing but free enterprise with its attendant competition is not. Davis, like many of his countrymen does not assume that competition will necessarily benefit the consumer or business.



CONTINENTAL Airlines generated considerable interest in the New Zealand tourist industry when it won approval to fly here.

The American instigated open skies policy with its Laker-style fare cutting, brought a worldwide tourist boom during which time tourism to New Zealand flagged and flagged and flagged.

New Zealand has always been disadvantaged by distance from the main sources of tourists. And the new cheaper alternative destination such as the $99 US East Coast-London flight priced this country further out of the market.

Continental set out to change this proposing fares from the United States to New Zealand from 20 to 70 per cent less than the existing fares charged by Air New Zealand and Pan Am. This proposal was blocked by Air New Zealand.

Continental earmarked $3.5 million to advertise its new South Pacific destinations: New Zealand and Australia.

With more than 40 destinations in the USA and a network covering the Western two thirds of the United States it was a strong position to promote New Zealand in that portion of the American continent traditionally yielding the bulk of New Zealand bound American tourists.

Every Continental airplane flying now carries an in-flight magazine with Australia and New Zealand on the front cover. And Continental is pushing New Zealand in all the cities it flys to.

But Continental is not getting the traffic to or from New Zealand. Since it began its service through Auckland on May 3 its planes have been flying with 20 per cent loads.

Continental started its service to Australia about the same time it entered New Zealand and promoted it in the same way. According to Continental senior vice president, Harvey Wexler, every flight in or out of Australia since the service began has been at least 78.6 per cent full.

And why was Australia getting the American tourists and New Zealand missing out? Wexler put it down to the country-of-origin-rate article negotiated between Australia and the United States. This gave the United States exclusive jurisdiction over all fares originating in that country, and Australia jurisdiction on all fares originating in Australia.

Under this agreement, Continental cut fares. Wexler said the new low fares charged by Continental, Qantas and Pan Am generated traffic to and from Australia to the benefit of all carriers on the route.

By contrast, New Zealand has a bilateral agreement with the United States under which either party can veto its own or the other country's fares, and neither party can determine any fare, Wexler explained.

Under this agreement, the New Zealand Government vetoed Continental's low fare proposal at the CAB negotiations in Washington on March 13, Wexler said. This was just six weeks before Continental was to commence its service to New Zealand.

The shoe was on the other foot when Air New Zealand wanted to raise its fares by 7 per cent as a fuel surcharge. Continental was requested to raise its fares by 7 per cent to match Air New Zealand's proposed increase, but refused.

Thus, Wexler said, "we in effect, have saved the New Zealand travelling public 7 per cent of their fares to North America. Air New Zealand could not force us to raise our fares, and they could not raise their one for fear of pricing themselves out of the market."

Wexler said his complaint was with Air New Zealand and not with Ministry of Transport officials, who, he said had been extraordinarily cooperative.

The CAB negotiations were a Government - to - Government affair. But, he claimed, Air New Zealand was the real power behind the scenes.

The airline had been nobbling Continental from the start, Wexler said. For example, he said, Air New Zealand had prevented local travel agents from selling Continental's tickets in April by not letting this airline participate in the Bank Settlement Plan (an IATA clearing house operation for airline ticket recepts.)

Wexler said Continental wanted New Zealand to enter into a country of origin rate article as existed between Australia and the United States.

"We are confident that the economic interests of New Zealand — particularly tourist interests — will result from a similar rate article as exists in Australia", he said.

"Your Government (the New Zealand Goverment) is undertaking an international policy review which will be completed on July 1. I'm sure that arising out of that review will be a reasonable approach to rate making on the New Zealand-United States airway," he said.

Wexler said Continental made a notional commitment last October to extend Los Angeles-Auckland and fly on to Christchurch. But, he said, Air New Zealand, under the present bilateral agreement had barred them from doing this.

Auckland, this country's major port of entry, is short of hotel beds — particularly in peak season. Christchurch has unused hotel capacity. The Christchurch leg could relieve congestion in Auckland and bring needed business to Christchurch's tourist industry.

As Wexler pointed out, Continental's Christchurch leg would carry only international passengers and not detract from Air New Zealand's domestic traffic except in one respect. Under Continental's proposal international passengers would pay far less for the Christchurch leg than an international passenger getting off an international flight in Auckland and then proceeding to Christchurch on Air New Zealand's high domestic fare.

"Without a country-of-origin-rate article Air New Zealand could make us charge the domestic fare — or even raise the domestic fare to force passengers to get off in Auckland and take Air New Zealand to Christchurch", Wexler said.

Though Continental was asking for an internal New Zealand route, Wexler said this was no different in principal, to Air New Zealand's United States domestic flight between Hawaii and the America mainland.

Wexler said Continental was aware of New Zealand's accommodation shortage and was definitely interested in investing in hotels here. Continental had invested in hotels in its other destinations to cater for the traffic they generated.

But, he said, "we are not interested in investing in hotels in New Zealand if we have no say in the fares. With a country-of-origin-rate article we would be interested. But under the present system there is no reason to believe the occupancy of any hotel would be different from the occupancy of seats on our planes."

WITH blunt and salty style Morrie Davis, Air New Zealand's chief executive made it quite clear to NBR that he's getting fed up with Continental's negotiating style.

Air New Zealand might make some concessions to America's demands for an open sky policy but Air New Zealand would not be giving anything away for free.

Continental, like other free enterprising airlines, assume that free market fare setting is good business — both for the airlines and for the tourist industry.

Davis said there are more than a few fish-hooks in this liberal article of faith — particularly for the smaller partner in a bi-lateral air transport agreement.

Regarding President Carter's open skies policy and Continental's demand for a country of origin rate article, Davis said: "The Americans have three basic principals which they wish to foist on the rest of the international aviation community.

"They say there shall be no limitation on the number of airlines which can be designated by the originating country.

"They say the country of origin can establish fares without a facility for the receiving country (New Zealand) to have any voice in respect of the level of fares, whether they be high or low.

"There shall be no limitation whatsoever in respect of charter operations. And the Americans are singularly unable to describe what a charter is. It seems to us to be a facility to designate another non schedule — scheduled airline.

"This country of origin agreement Wexler talks about seems to me to work very much in the interests of the larger partner in a bi-lateral agreement. They can turn fares on and off at their whim.

"I'm concerned not only at the predatory nature and the capacity dumping facility which this provides a country but also — if their interest wanes in a destination they can turn fares on or off," he said.

The unilateral freedom to set fares from the country of origin, together with the ability to designate additional charter operators, could lead to a dumping situation, Davis said.

"I don't see why Continental should be permitted to substitute a predatory to fare situation for a genuine marketing effort," Davis said.

"If the Americans want country-of-origin fares, we indicated to their negotiators in Washington that we'd go along with this, albeit in the early stages for a trial period to determine the authenticity of their claim. But we wouldn't go along with an open skies policy in respect to the application of unnecessary and unrealistic capacity. We don't want to become a dumping ground for any excess capacity that the United States might want to introduce from time to time, any more than the United States will accept from New Zealand the facility to sell New Zealand butter and meat on their domestic market.

"They want it one way but not the bloody other."

"Our ability to afford as a country such as the United States espouses must be accompanied by other considerations of magnitude in terms of the total relationship between the two countries."

Davis said New Zealand offered to go some way toward the American's open skies policy but wanted additional landing rights in the United States and the right to fly to points beyond the United States in return.

"The response from Washington was parsimonious indeed," he said.

As for Continental's plans to fly the Tasman route: "What's pissing me off about the United States is that they are getting petulant and petty. They find that their economists straight out of the Harvard business school manufacture pressures within the United States Civil Aeronautics Bureau which are not working. So they jump up and down like bloody school kids and say 'we will do this to you and we will exercise that facility' and what not without any recognition that a treaty between two countries will last only so long as there is a reasonable equity involved and a reasonable spirit of understanding in terms of the total benefits that arise from it.

"If Continental wants the Auckland-Christchurch route, they can have it, provided there is some form of reciprocity in terms of access in the United States for New Zealand carriers," he said.

As for accepting the open skies policy, the New Zealand public should understand that a country-of-origin-rate article could mean a differential fare, Davis said.

This could mean that the fares into New Zealand could be cheaper than the fares out of New Zealand. Davis said he saw nothing wrong with these differential fares as it could protect New Zealand's financial position. But he added that he could forsee a vociferous negative response from the New Zealand public.

Davis disputed the assumption that open skies benefited the airlines and the consumer in the long run.

"Deregulation undoubtedly did benefit the airlines and the consumer in the short term," Davis said. "It got people travelling, and gave them a taste for it."

"But if you look at the second quarter of airlines activities that were involved in the deregulation process you will find that their returns went down while their load factors went up dramatically.

"In the first thrust they were filling seats that otherwise would not have been utilised. Then as the momentum of the situation accelerated more and more people booked in the low fare situation as opposed to the mid level fares. The yield decreased alarmingly.

"There are now few seats available for low fares while the total platform of fares has been climing higher. Fares increased faster than they would have had the deregulation process not taken place.

"If you take the normal bloke who wants to fly from Los Angeles to Chicago, he is now paying a higher fare than he would have had deregulation not brought about all this low fare hysteria.

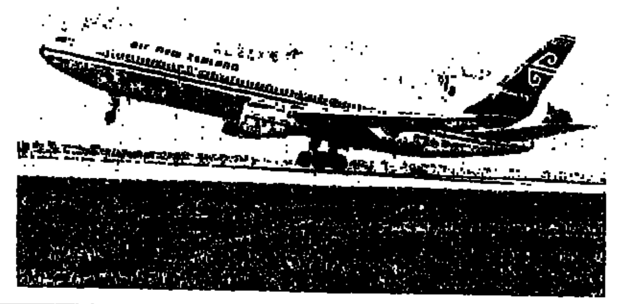
"On the positive side there has been a massive increase in demand from people who might not have otherwise have travelled."

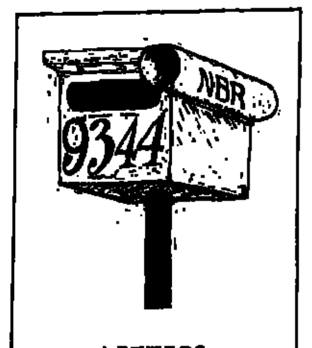
As for low fares boosting tourism to New Zealand, Davis said on a cost per kilometre basis, the fares were already among the cheapest in the world.

Bringing tourists to New Zealand involves the whole package of costs — not just air fares, he said.

"When we introduced low fares to and from North America, the hotel association 24 hours later increased its bed prices in Auckland by an average of $10 a night," he said.

Davis said the greatest problem facing the New Zealand tourist industry was a lack of resort areas. We needed to spend $250 million in this field over the next five years, he said.





LETTERS

Iran blocks infidels' entry

I AM truly amazed that your Mr Berryman, in advising as to trade prospects with Iran, can analyse the subject in the way he has — almost simplistically. His basic theme that the United States is tainted by connections with the former regime is basically sound. The mistake is to analyse the past as he has and to draw therefrom the lessons for the future which he has. Mr Berryman has seen the past in terms of democracy and religion — this is the mistake. The 1979 revolution is founded upon a blend of xenophobia and social conservatism. References to "tyranny" and "bloodbath, political imprisonment and torture" by the Shah, and Mosadeq's establishment of "Iran's first democratic state" are emotional irrelevancies and factually incorrect.

There were no bloodbaths under the Shah — upon his return he had Mosadeq imprisoned for treason, not executed; years later Khomeni was exiled for treason, not executed. It was the marque of the former regime that when Khomeni became a threat during exile he was never quietly assassinated. As for democracy — Mosadeq never did more than pay lip-service to the concept. His coup was staged to protect the vested interest of the feudal magnates — the "thousand families". The Shah certainly did not establish democracy but he introduced mass literacy, education, free medicine and land reform. It was the land reform that turned the clergy against the former regime — because the power of the clergy was broken.

The clergy has now taken that power back by playing on the fears and prejudice of the masses. The problem for New Zealand traders is that they are foreignors —. infidels, deemed to be uncircumcised and therefore unclean. Much of the anti- U S feelings will be directed also at New Zealand traders. Adding to the problems is the instability of the present regime — the power struggle will now continue between the clergy and other groups — the present regime is probably no more secure than was Prince Kerensky's in 1917 Russia.

Iran may seem an attractive market for New Zealand but it will be extremely hard to break into and bland concepts of "democracy" and the like are going to be of no use at all.

L J L Preston
Hamilton

Checkers slip in style

MAY I suggest that when you relicence your motor vehicle you take a close look at the relicencing application form M R 1c.

There are four errors in this small form. The printer's imprint at the foot of it indicate that 1,820,000 copies were printed. At five cents a copy (I suspect it might be nearer 10 cents) the total cost could be about $100,000. To authorise this expenditure without checking the accuracy is incredible. When I started work (1932) staff were sacked for less.

The Minister of Transport, Colin McLachlan, and his department deserve each other.

C G R Ward
Nelson

Dairy paper defends claim

In a letter in NBR May 16, the editor of The New Zealand Farmer says that the Dairy Exporter published claims concerning the Agricultural Economics Research Unit's survey that were at variance with the facts. We did not.

What we did do was to dig a little beneath the surface of the survey results, a task which most journalists regard as a responsibility on behalf of their readers. This involved further enquiries of the researchers.

We would have expected similar skills to be within the capabilities of The Farmer, and for that matter your Admark writer when preparing his flimsy item of March 21.

An essential requirement in assessing this magazine's rating in the survey results is to appreciate that our audience is exclusively in the dairy industry; we are not remotely concerned with sheep-beef or cropping farmers.

The facts are that 514 (90 per cent) of the dairy farmer respondents to the particular question in the survey said they are influenced in their farm management decisions by what they read in the Dairy Exporter. The next highest score among dairy farmers was gained by The Farmer with 303.

Doug McGilvary
Managing Editor
NZ Dairy Exporter

Housing and Govt policy

I am generally pleased with the coverage you have been giving to the recent housing finance seminar. However there is one aspect of my speech which you have misinterpreted.

Regarding the house building industry I suggested that Government acts counter-cyclical to the private sector, but so that total housing activity follows recent or near future demographic trends. In a later footnote I mention that at times, particularly during economic downturns such as at present, my suggestion and current Government policy could coincide.

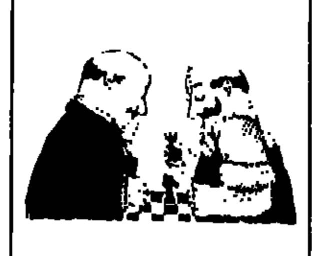
More importantly, during upturns in economic activity the two policies are likely to differ since current Government policy, allowing market forces to act in both the Government and private sectors, could then lead to an over-stimulus of house building activity. This is supported by the comparatively inelastic nature of housing supply and the tendency, during upturns, for the apparent numbers of houses desired to exceed more realistic requirements, as has been shown in the past.

I also suggested in my paper that research should be directed at the effects of cyclical fluctuations on the house building and supporting industries, since I believe that this knowledge could be important in helping to formulate the most appropriate form of Government housing policy. I am not advocating a return to the system of annual target completions, but instead to a more flexible system whereby Government monitors private sector housing activity, continually reassesses total housing requirements and then determines appropriate support for the house building industry.

D Burt
NZEIR
Wellington

Unions seek pension fund investment control

by Colin James



THE INDUSTRIAL FRONT

A LITTLE-noticed remit passed by the Federation of Labour conference last month could, if implemented, have far-reaching results in corporate investment.

The remit was sponsored by the Harbour Boards' Employees Union, one of the country's most innovative unions.

It sought:

- A comprehensive programme developed by the FOL "on the feasibility of ownership and control of superannuation funds by trade unions for consideration at the 1980 conference".
- Full support by the FOL executive during 1979 to any affiliate seeking active ownership and control of their industry superannuation schemes through collective bargaining.

Few union leaders besides the harbour boards' employees secretary, 30-year-old Ralph Gerdelan, have taken much interest in superannuation. The remit was not discussed on the floor of the FOL conference and I understand such discussion as there was in the remit committee amounted to a monologue by Gerdelan.

Yet control of non-state superannuation funds would carry with it the potential for considerable economic power: control of a substantial proportion of investment capital.

Just how much is now locked up in these funds in New Zealand is not known. The Reserve Bank keeps figures only for the biggest funds, some 200 out of the total of 5000. The Government Actuary's Office has the figures, but is so busy dealing with the aftermath of the 1976 superannuation legislation that it cannot process them.

Likewise, it is not easy to obtain an estimate of how much superannuation investment represents as a proportion of total new investment in industry, though not as great proportionately as in the United States and Britain.

Most people agree however, that superannuation funds, whether handled by the insurance companies or the funds' own trustees, are a substantial source of investment.

At least one fund is more than $20 million and there are several bigger than $10 million.

Certainly in Britain, occupational pension schemes are huge investors. According to the London Economist of November 4, 1978, insurance companies and pension funds between them control more than 50,000 million pounds of funds — "and on some estimates will have nearly another 20,000 million pounds a year . . . to invest by 1985".

These figures compare with the 60,000 million pounds total value of all shares on the London stock market and 400,000 million pounds value of Britain's total stock of capital assets.

The Economist saw two major drawbacks in the way the funds were run: their investment policies were suspect, especially when pension funds bailed out their parent companies; and were mostly undemocratically run.

According to people I spoke to in the industry last week; there is generally not much opportunity in most New Zealand funds for employee control of the funds managed on their account.

Gerdelan wants to correct this by giving the union control.

He argues that superannuation is part of the worker's total "income package" — and is therefore a legitimate area for negotiation by the union.

He sees it as forming part of the "social wage" of the workers, along with sickness benefits, education assistance and so on.

And, just as the weekly wages are negotiated between union and employer, he considers the "social wage" should be, too.

In a few cases, unions and employers do negotiate over the relative contributions workers and employers make to funds.

But the employees' post-retirement income is determined by more than the contributions. The return on the funds as invested is also important. Gerdelan argues that the employees should therefore control them.

Rob Campbell, of the Shop Employees' Association, is another union official who has been looking at union control of superannuation schemes.

In a speech to the conference on superannuation funds last November, Campbell said that a strong tradition of social advance via legislation had probably held back trade union movement involvement in aspects of the "social wage".

"In regard to pensions, one should note, there was a similar lag in Britain."

"Prior to 1972 only the central and local government and other white collar unions took much interest.

"Since that time interest has developed rapidly and the Trades Union Congress now gives advice to unions in a detailed fashion on how to take advantage of this area. One British union, the ASTMS, in fact employs professional actuarial advice to give to local negotiators on such matters."

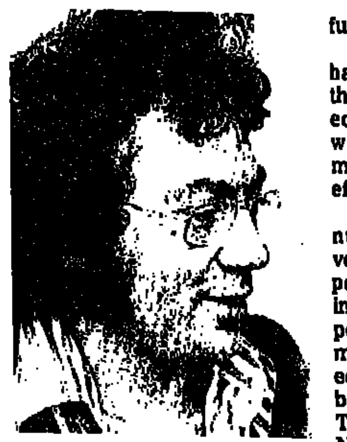
Campbell said that any employer who believes he could establish and operate a scheme outside of union involvement "is kidding himself".

Nor, he added, would union involvement stop at the establishment stage or subsequent representations to the fund managers.

Noting the "impressive" potential of the 1972-5 Labour Government's contributory superannuation scheme for control of equity capital, Campbell noted:

"If the end result of changes in policy is to be that a similar accumulation of funds will take place on an industry or company or sectoral basis, then the amount of funds will not be dissimilar and all that will change is that the control will not be directly in the hands of the state.

"That leaves broadly two alternatives. Either the control of such funds is in the hands of the companies who direct its investment, or the employees will take a greater and greater say in how these funds, which are (a) the basis of their retirement income and (b) contributed by their deferred earnings during their working life, are to be used.



ROB CAMPBELL . . . equity capital control.

"That means that at some level the union has to become increasingly involved in the control of the non-statutory funds which are accumulated.

"The trade union movement has an increasing concern with the control of investment in the economy and this is one area in which the trade union movement can develop an effective presence."

Given the size of superannuation funds, union involvement could amount to potential union takeover of the industries involved. American pension funds already own more than a quarter of the equity capital of United States business, enough for control. The pension fund of the National Coal Board in Britain is bigger than the board's total assets.

This spectre may be some way off in New Zealand's case.

The harbour board's employees can contemplate a takeover of their industry's fund because it is a tidy industry. The union is a genuine industry union, representing all who work for harbour boards, regardless of trade, craft or profession, up to a certain level.

Most unions in New Zealand, however, are occupation-based. Thus the electrical workers unions represent electrical workers in a multitude of different firms. They may be only a tiny percentage of the workforce involved in an individual pension fund and the union's legitimate involvement would be commensurately smaller.

It is possible to conceive multi-union arrangements to overcome this obstacle. But, given the low level of inter-union co-operation on such basic matters as travelling allowances and annual leave, it seems that cross-craft movements to control superannuation funds would be difficult to develop.

Gerdelan's move may therefore be seen as essentially long-term thinking — in a union movement preoccupied with the short term. The implication of his remit lies less in what the existing generation of union leaders might do with pension funds than in what the rising generation of Gerdelans will do in 10 or 20 years.

'Sewing machine experts' develop electric cars

by Ben Furby

WHEN the United States Government energy chief told the car industry to go and redesign the car, the British magazine New Scientist commented that the car industry was the last group capable of redesigning it. Better, it said, to give money to a sewing machine company or some such organisation not inhibited by heavy investment in existing petrol engine technology.

Thus electric vehicle (EV) designers in Australasia are not professional car designers: their professions are as diverse as computer engineering, railway design engineering, electrical technician, and university lecturing in electrical engineering.

They have given New Zealand and Australia a world lead in EV technology — not that their respective Governments show much enthusiasm, despite frequent statements by ministers of energy about oil prices and crisis.

Nor will EVs solve the oil-fuelled transport trap by themselves. But they do have considerable advantages when employed on short, known route runs, and offer quietness, absence of vibration and atmospheric pollution in cities, and long-term running without the maintenance the internal combustion engine demands.

Darryl Whitford at Flinders University in Adelaide took time off from his computer engineering to develop what is referred to as the Flinders vehicle. He set out to engineer the motor to the demands of the road wheels, and the battery to the motor requirements.

His vehicle retains the car's original gearbox and gear shift, using a "printed circuit" motor that can be "stacked" in modules for more engine power. The motor will not tolerate overloads, or the power demands of starting and accelerating — retaining the gearbox to cushion the motor loads. The clutch pedal remains, but its only function is turning the motor on and off during gear changes. The motor armature is so light it can be permanently coupled to the gearbox.

Because the motor does not have the direct load of starting and accelerating, its power demands from the battery are less than in a conventional, ungeared EV, and so a battery lighter than the usual heavy traction battery adds to the vehicle's total efficiency.

Helped by a South Australian Government grant, and lately by Federal Government help, the Flinders concept is being built into two Bedford vans. A company has been formed at Adelaide, and with promised co-operation from GM-Holden, EV Bedford vans will soon be seen in Australia on postal, bread and other delivery services.

David Gosden of the Tasmanian College of Advanced Education has adapted a Bedford van to his concept of electric traction. Independently following the idea first developed by Dave Byers at Canterbury University, Gosden similarly uses the less costly three-phase asynchrous motor. Electronics enables the direct current battery power to be converted to three phase alternating current, and the vehicle's speed to be controlled by varying the frequency. EV-watchers are interested in what will happen. The Flinders and Tasmanian vans are expected to have fairly equal performance, and the continuing fall in the cost of electronics components will make the Tasmanian van more competitive.

The spin-off to Byers and Canterbury has been a patented speed control for static motors in industry to vary their speeds — profitably being sold in Australia and New Zealand.

Roy Leembruggen, who gave Sydney double-decker commuter rail carriages 14 years before France and Canada awoke to the advantages of the idea, evolved the "Townobile" battery bus. Elementary faults in the prototype have enabled transport ministers in state governments and local bodies to fault the idea without even grasping it.

SCIENCE & TECHNOLOGY

Leembruggen's bus is what the computer people would call the hardware of the Townobile concept. This is that fleets of electric buses should circle the inner city routes, without vibration, noise, or atmospheric pollution, or wasting energy idling at traffic or bus stops. The concept includes a "kerbside" station where the buses can stop off every four hours for a five minute battery change.

ELECTRIC VEHICLES . . . prices goes down

He offers a trolley-battery version of the Townobile to overcome dense inner city trolley overhead wiring, or outages or route changes during the suburban run. Electricity from the overhead wires in the suburbs powers the bus and recharges the batteries. Leembruggen has now designed a doubledecker in response to European and Asian interest.

While contributing no new technology — unlike the Flinders, Tasmanian and Canterbury EVs — the "commuter car" concept of Kay Edgecumbe in Kawakawa has been criticised by Byers for lack of technical innovation and praised by Leembruggen as excellent, sound, practical engineering. Helped in his design by Colin Horsfall, Edgecumbe has built a prototype two-seater EV with a 60 kilometre range that can be assembled from a kitset by a home handyman.

The Auckland company, Natural Energy Electric Vehicles, formed to market the car, may have a winner on its hands if Edgecumbe's ideal of selling the vehicle for $3000 is realised.

EVs resident in Australia include a Daihatsu van being evaluated by the West Australian Government, and a Chloride "Silent Karrier" imported to Sydney from England to demonstrate what electric traction can do. Neither approaches the advanced technology embodied in the three university-designed native Australasian EVs. In much the same way European and Asian battery buses are penalised by being heavy diesel units converted to battery propulsion and lack the efficiency of the purpose-built Townobile.

The Flinders concept has not stopped with a revolutionary van. Whitford and his team are moving on to set up battery change facilities that will increase EV ranges in cities, and evolving — with Federal Government help — new ideas for batteries.

Amortise the high first cost of EVs — because they are not yet mass produced — by their lower fuel and maintenance costs, and longer life, and those businessmen who do their sums can be expected to look at electric traction with increasing interest as oil prices escalate. They will be capitalising on the inventiveness of Australasians who have shown the world a lead in EV technology — if their countrymen would only appreciate what they have been offered.

The Australian Liquid Fuels Trust Board is writing a report on EVs for the Government, and the private visit to Australia in May by one of the board's engineers was an opportunity for him to study EV progress.

Separate voting muffles Maori political clout

by Geoff Gamlin

THE main justification long advanced for separate Maori representation is the claim that it ensures adequate political representation for the Maori people.

It has been feared that to end this arrangement and set up an integrated electoral system would lead to the Maori population being swamped politically by the much greater numbers of Europeans, which would be a major step towards losing them, their distinctive identity.

This may have applied in the past. But Maoris are in an integrated system with a potential reservoir of eligible voters now numbering 135,000, together with a strategic distribution of a large part of these throughout more than 20 of the most marginal electorates in the country, and could become a political force of great power and influence.

On the other hand, the separate system of representation keeps the Maori population impotent as a political force and hampers building a strengthened identity.

This separated system keeps the Maori population out of the mainstream of New Zealand's political system, with the practical consequence that Maoris cannot affect the party balance in Parliament.

It means that Maoris are not in a position to inflict defeat on either party in a general constituency, let alone have the capacity to make or break governments as do the farming and working class vote.

On the one hand, nothing short of a massive change of heart could seriously pose a danger to Labour's hold on the Maori seats. On the other, Maoris cannot inflict their displeasure on National for the simple reason that the separate system excludes them from electorates held by that party.

Maoris therefore are in an unenviable political position. National can afford to ignore them and Labour can take Maoris for granted. This can render them powerless to shake Government indifference or even to fend off direct attacks on interests of vital concern to them.

For example, National in 1967 passed into law the Maori Affairs Amendment Act in the face of bitter and widespread Maori opposition.

Separate representation meant that Maoris were denied the opportunity to mobilise their voting strength and vote out National MPs, perhaps even to the extent of toppling the Government.

The official indifference to Maori land claims since then can be expected to continue, simply because no effective political pressure can be mounted against either party.

There is no need for Labour to strongly support Maori land claims. It could not expect to gain a single extra seat in Parliament from such action. And National can afford to ignore such grievances, secure in the knowledge that this wouldn't lose them any electorates.

The Negro population in the United States comprises a proportion of the total population similar to that of Maoris in New Zealand. And the effect of the 90 per cent preference for Jimmy Carter among Blacks competing in the same electoral system as other Americans, was significant for winning state after state for the Democrats.

This high degree of political unity among Negro voters has made them a cornerstone of President Carter's power base which has to be always taken into account by his Government when determining American domestic and international policy.

In that way, American Negros can almost make or break a government.

Maoris have a similar degree of political unity as well as the numbers of potential voters and a strategic distribution of them. But they have no capacity to similarly influence policy-makers.

How these factors of unity, numbers and distribution could be made to work with telling effect in the New Zealand context can be highlighted with reference to the farmer or rural vote.

In 1975, the total number of votes cast by people from rural areas in European seats came to 235,000, or 16 per cent of the total electorate.

Such was the geographic distribution of these voters however, that they were present in sizeable numbers in at least 31 electorates, or 36 per cent of all seats.

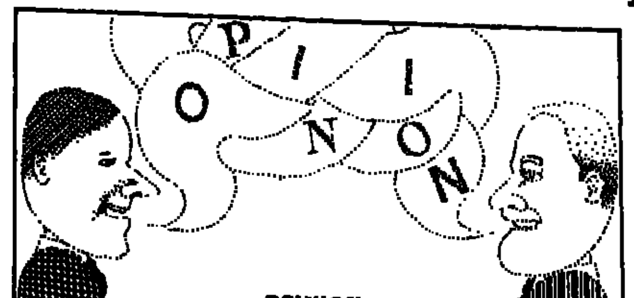
National gained 57 per cent of the rural vote to 21 per cent for Labour. This relatively high degree of political unity enabled National to win several seats where the number of rural voters could be fairly small but the strong preference among them for National was sufficient to counter the more evenly divided urban voters.

In this way National was able to win as many as 28 of these electorates to Labour's three.

But any failure on the part of National to maintain this degree of unity among rural voters can be damaging politically, even disastrously so.

In 1972, National won only 19 of these electorates to Labour's 12, and there is no question that discontent among farmers against the then National Government was a primary factor in this.

In 1978 rural voters again flexed their political muscle against a National Government, turning not so much this time to Labour but to Social Credit and non-voting. In doing so, they pushed National to the brink of defeat.



OPINION

The message from this is clear. The rural vote has an influence out of all proportion to its numbers because of its strategic geographic distribution and its relatively high degree of unity.

National can never afford to take for granted rural voters as bitter experience has illustrated, while Labour cannot afford to ignore them without making the task of capturing key marginal seats more daunting.

The practical outcome from this use of political power for rural interest is plain to see: a very powerful voice in the National party, a highly disproportionate representation among MPs in Parliament, and a furthering of farmer concerns to the extent that this group is now among the most pampered and state subsidised in the land.

The Maori population similarly has these characteristics of an electorally strategic distribution of its numbers and a high degree of political unity.

In 1978 Maoris comprised 7 per cent of the total eligible electorate, a figure which can be expected to rise to 10 per cent by 1984. But their direct influence now extends to only just over 4 per cent of all Parliamentary seats, when in fact their distribution is such that they could have a major influence in over 20 per cent under an integrated system.

And while they have fewer potential numbers than the rural group, this difference would be virtually made up from an even more effective distribution and a considerably higher degree of unity.

A high proportion of the rural vote tends to be concentrated in 22 or 23 seats, in many cases comprising more than half of the constituency with the result that this political unity tends to be dissipated by large wasteful majorities.

On the other hand, there would be few electorates in an integrated system where Maoris would comprise more than one-fifth of voters.

Given the high degree of urbanisation of Maoris nowadays, a large proportion would be voting in urban electorates where the political balance is already evenly divided.

In areas such as Gisborne, Rotorua, Whangarei, Tokoroa-Taupo and South Auckland, Maoris would make up 15 to 20 per cent of the potential eligible electorate.

In Hamilton, Napier-Hastings and the marginal areas of Central Auckland they would account for 10 to 15 per cent; in Wanganui, Horowhenua and the marginal areas in the Wellington region it would be 5 to 10 per cent; while in West Auckland, New Plymouth, Palmerston North, Wairarapa, Marlborough and Invercargill it would be 3 to 5 per cent.

To such areas the impact of the Maori vote would be greatly enhanced by the very high degree of political unity it displays.

In National's boom year of 1975, the rural group as a whole returned a majority for that party over Labour of 36 per cent or 85,000 votes. In 1978 this would have been approximately 29 per cent and 70,000.

On the other hand, even though there were far fewer total valid votes cast by Maoris (46,744) in 1978, their overwhelming preference for one party enabled them to pile up a relatively sizeable vote majority: there was then a majority for Labour of 68 per cent, yielding a 32,000 vote lead.

The political effect of this unity is considerably understated however, when we remember that there are 135,000 Maoris now eligible to vote.

Even if we just take the large numbers of Maoris who actually vote but who are then disenfranchised simply because they are not on the roll, the extent of Labour's lead would be immediately substantially increased. In 1972 over 8100 Maoris had their votes disallowed for this reason, rising to more than 10,000 in 1975. The total number that turned out to vote in 1978 could therefore have approached 60,000 which could have meant a lead for Labour of around 40,000.

With an integrated electoral system, this total turnout figure could well approach 100,000, especially as there would be much greater competition between the political parties for the Maori vote and because Maoris themselves would be aware that the power of their ballot would be greatly enhanced.

If this increased turnout was paralleled by the high degree of unity already evident, Labour's lead over National could reach 70,000.

On this basis, therefore, it appears that Maoris have within their reach the capacity to acquire a political influence *equal to that of the rural vote.*

But whatever the arithmetic of the matter, there is no doubt that with an integrated electoral system the Maoris' capacity to influence and direct the political process towards their own ends would be immensely enhanced.

They would no longer be isolated from the mainstream of the political process but would very likely be in a position of being able to make and break governments. The raw use of political power so often wielded with success by rural voters would serve to demonstrate to the parties the fate they would meet if they did not hasten to accommodate the grievances of the Maori population.

This competition for Maori support would mean more than just an ending to the frustrations arising from a situation which has long been here of Labour being able to take the Maori vote for granted and of National being able to ignore it.

The high degree of unity could be used to persuade Labour to undertake major advances in settling Maori grievances or else there would be a large scale withdrawal of this support.

On the other hand, National would have to think twice about opposing such advances as it would be faced with the need to break the Maori preference for Labour to improve its chances of winning many crucial marginal seats.

This power of the vote should also apply to ensure that the parties put forward sufficient Maori candidates representative of Maori interests.

But regardless of who represents individual Maori voters in Parliament, they can be assured that they would be listened to with a great deal more alacrity and attention than they have known in the past.

The Maori is now the sleeping giant of New Zealand politics, although this inactivity would perhaps more accurately derive not so much from slumber but from the shackling effects of an electoral system *which has remained unchanged since the nadir of Maori fortunes more* than a century ago.

The single act which could do most to strengthen the identity of the Maori and sweep away the paternalism and neglect which remains to this day would be the power of the ballot in an integrated electoral system.

Foxgloves and periwinkles offer export saviour

by Sir Jack Harris

NEW Zealand has to face the fact that there is a mountainous surplus of dairy products in the world today. At present, we have 250,000 tonnes of butter and 645,000 tonnes of skimmed milk powder stored in Europe. Sooner or later, these surpluses will be dumped on world markets at low prices. New Zealand, in turn, will be left with a vast surplus of dairy products for which it has neither the finance nor the resources to keep in storage. Presumably a use may be found for this surplus to fatten beef cattle but, here again, the market is for lean meat.

Inducements, sooner or later, will have to be offered to dairy farmers to change their way of life, and thought must be given now as to how their land can be developed profitably.

Curiously enough, there is potential in the development and marketing of our so-called weeds and animal pests, to provide us with some of our best opportunities to increase the value of our exports.

● Fennel (faeniculum vulgare); its seeds are distilled for aniseed oil and it is used for the manufacture of the drink Pernod, as well as for flavouring cakes and sweets. Stalks and leaves are also used. The essence sells for $41 a kilo in France.

DAIRY PRODUCTS ... surplus builds to mountainous proportions.

● Foxgloves; from these can be extracted the drug digitalis.

● Elderberry (sambicus nigra) is remarkable for its number of uses. It grows in our hedges and is usually ruthlessly destroyed. Apart from the use of its flowers for drinks, and its fruit for jellies, it produces pectin, an alcaloid sambucine, end the glucoside sambunigrin.

● Poroporo (solanum aviculare) bears the fruit which is used in the production of contraceptive pills, and is already in cultivation experimentally.

● Vinca Rosa (catharamus rosea), the common blue periwinkle, is cultivated in quantity in Hungary and used for the treatment of some tumours and in cancer therapy. It produces two alkaloids now included in the British pharmaceutical codex.

● Gorse. Can be converted into good cattle feed.

It is also worth remembering that all the vegetables, fruits and flowers in season here in the summer months are available for export at a time when most of the northern hemisphere is under snow and ice.

Strawberries from New Zealand can be bought in Britain in mid-winter at a very high price, but there are many other products which could find a ready export market.

Apart from vegetables such as fresh beans and asparagus, an excellent market exists for flowers. They weigh little, and can be flown quickly to their destination in the northern hemisphere.

There is a huge market for roses. Bulgaria, incidentally, practically lives on its production of attar roses. Bermuda's main export is lilies for the American market.

Zantedischin erthiopica, the common large white lily which grows wild in the North Island and is regarded as a weed commands an enormous price in America and Europe, as it is used for weddings and funerals.

The cymbidium orchid is a difficult plant to grow in most countries because it needs an equable climate. It grows easily in most parts of the North Island and sells for huge prices to the American luxury market.

At last, we are beginning to realise that animals which have previously been regarded as pests have become national assets. Deer farming has already proved itself more profitable than cattle.

The goat is beginning to be appreciated for its milk and mohair; the Middle East and India practically live on goat, which can surely be exported to these markets. But the Forestry Department is trying to eradicate our goat population.

The opossum is still on the proscribed list, but the skin is valuable and the meat delicious (once people can be persuaded to eat it).

There is even a place for the rabbit.

Much of our land would be better utilised for planting trees than for farming. At the same time, erosion, which is such a dangerous feature of some parts of New Zealand, would be reduced.

Farmers should be encouraged by the DSIR and the Ministry of Agriculture and Fisheries to find out whether their land can be put to better use than it is at present, with the emphasis on horticulture rather than on agriculture. They would require technical assistance from the DSIR in order to improve their products. Much has already been done in this direction: kiwifruit and tamarillos and excellent plant-breeding laboratories already exist here.

A trend from agriculture to horticulture would reverse the trend from the land to cities, provide more employment and a healthier balance between country and cities.

NZR name change not enough: overhaul needed

by Bob Stott

THE Labour Party, the Government's transport caucus committee chairman Jonathan Elworthy, the Social Credit Political League, and the Road Transport Association have at least one thing in common — they like the idea of setting up a public corporation to take over the duties of the Railways Department.

Labour's last election manifesto promised a corporation.

Elworthy personally favours the idea. He has talked it over with Transport Minister McLachlan and has said his committee will investigate the matter.

The Road Transport Association regards a corporation as a more commercially oriented structure, and a more desirable competitor.

Social Credit has advocated selling shares in a Railways Corporation to the public (though it is doubtful there would be a rush of eager investors).

NZR started life as part of the Public Works Department.

Then it became a separate Government department.

In 1889, a New Zealand Railways Commission, reporting to Parliament, took over the job of running the NZR. It survived till only 1894, when departmental status was reinstated.

Between 1925 and 1928 a board of management was in control, and from 1931 to 1936 a Government Railways Board headed the NZR.

In 1953 the New Zealand Railways Commission was formed, but was abolished in 1957.

All three of these bodies reported to the Minister, not to Parliament.

In the intervening periods, the NZR has been run, as at present, as a Government trading department with a general manager at the helm.

The present generation of managers does not share outsiders' enthusiasm for corporation status.

A recent meeting at Timaru, called by South Island commercial interests to discuss South Island transport problems, put forward the corporation idea. But Railways assistant general manager F D Daly, asked delegates: "What will a change of name do?"

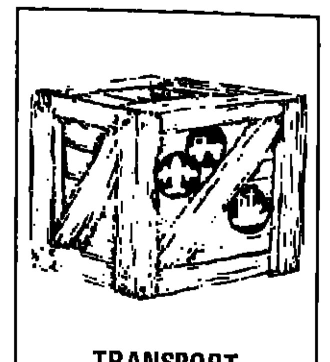
That somewhat cynical response seems typical of how top NZR men see the corporation idea. But if past history is any guide, past flirtations with commissions, boards and so on involve no fundamental reforms.

In each case, there was a name change, the imposition of a board or whatever on top of the existing structure, a change of letterhead, and a maintenance of the status quo in all other respects.

The name change did nothing to lessen direct political interference in the railways, and nothing to compensate NZR for social services or to allow it the freedom to set its own rates and levels of service.

It did nothing to allow the NZR to set its own policy in all important aspects.

Not surprisingly, those who make such decisions each time eventually conclude that a general manager could handle the top railway job just as easily and a good deal cheaper than a board.

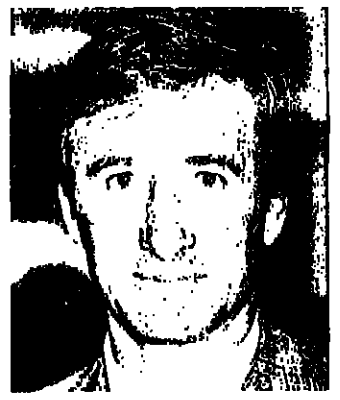


TRANSPORT

We should learn from the past that it is futile to head off on a course which has failed in the past.

If a railways corporation is to be formed, it must be part of a new deal and must involve more than a name change. It must be part of a radical reshaping of the destiny of New Zealand Railways.

WARREN COOPER ... avoid duplication



JONATHAN ELWORTHY ... favours corporation

No one knows what the Government has planned for NZR, but some hints surface from time to time.

The 1976 Budget address, for example, said: "The freeze on Government charges raised important questions about the proper basis for financing the operation and development of the major Government trading organisations. Studies have therefore been initiated on the financial objectives of . . . the Railways. The principles established as a result of these studies will form a basis for setting charges in the future."

The Railways financial objectives report has not seen the light of day, and the Government apparently has yet to accept such a report in spite of some time being spent on various drafts.

Or maybe a report has been completed, and the Government has adopted it without telling anyone.

Thus Tourism and Regional Development Minister Warren Cooper might have been speaking from his knowledge of the financial objectives report when he told the National Party's Otago Southland divisional conference that it would be better for private enterprise to take over some NZR freight haulage sectors, rather than duplicate services.

"Let us face up to the facts, get a good computerised freight situation, to tidy up some of the laterals and put it over to the competitive private sector," he said.

Cooper was quoted as saying: "Ask yourselves, can we still afford to have a railways that's been overtaken by the private sector? My answer is 'no'."

A Railways Corporation would be a good idea only if it was part of a thorough overhaul of the NZR. And at the same time the Government of the day must revise its relationship with the NZR.

For a corporation to work, financial viability must be obtained. Thus, social services should be profitable operations for the NZR in the same way that the Shipping Corporation profits from running loss-making services (for example, the Coastal Trader, which is in effect chartered out at a profit to the corporation).

The debts accumulated during the price freeze can be wiped.

The largely unnoticed streamlining (closing small stations and so on) should continue.

Financial objectives can then be set, not just at a national level, but locally as well, so that regional staff can have the satisfaction of being able to run "their" operations at a profit.

There would need to be a carefully orchestrated publicity campaign, to sell the benefits of the change to both staff and the public — something which stresses the new deal, yet pays tribute to Railways' more than century-long service record.

The stage would then be set to start on the most difficult job of all — persuading politicians to leave the railways alone, not to promise new services during election campaigns, not to fiddle with the operations of the NZR.

At the same time, someone would have to lean on Treasury officials who run the NZR better than the professionals and who pass judgments on operations as often as on financial matters.

All this could be achieved without resort to forming a Railways Corporation, and it would be a worthwhile exercise even if the NZR stayed a department forever.

But a corporation would give NZR a new "image".

A corporation, with few well-known and respected businessmen on the board, should gain ready acceptance in circles where even the best-run Government department would be at a disadvantage.

Would the Government lose control if the corporation idea was followed?

The NZR has a vital economic role to play and a government should be able to direct the use of rail services to encourage regional development. This would be justifiable, legitimate and sensible even if loss-making from the narrow NZR accounting point of view.

In such cases, the Government should pay the railways to carry out these services, perhaps taking the money from its regional development funds.

The same taxpayers who make up the NZR deficit provide regional development funds. The only difference is that if regional development money is used, it is easier for the public to see that no rail user is subsidising another rail user.